

# Internal Revenue bulletin

Bulletin No. 1998-43  
October 26, 1998

## HIGHLIGHTS OF THIS ISSUE

These synopses are intended only as aids to the reader in identifying the subject matter covered. They may not be relied upon as authoritative interpretations.

### INCOME TAX

Rev. Rul. 98-51, page 4.

LIFO; price indexes; department stores. The August 1998 Bureau of Labor Statistics price indexes are accepted for use by department stores employing the retail inventory and last-in, first-out inventory methods for valuing inventories for tax years ended on, or with reference to, August 31, 1998.

### EXEMPT ORGANIZATIONS

Announcement 98-94, page 32.

A list is given of organizations now classified as private foundations.

### TAX CONVENTIONS

Page 6.

The bilateral agreement between the United States and the United Arab Emirates, providing for the reciprocal tax ex-

emption of income from the international operation of ships/aircraft, is set forth.

### ADMINISTRATIVE

Rev. Proc. 98-54, page 7.

Rescission of deficiency notice. Taxpayers are provided with instructions for entering into an agreement with the Service to rescind a notice of deficiency. Rev. Proc. 88-17 clarified, modified, and superseded.

Announcement 98-93, page 10.

Public comments are requested on proposed new Form 8865, Information Return of U.S. Persons With Respect to Certain Foreign Partnerships, and its accompanying instructions.

Finding Lists begin on page 37.

Announcement of Disbarments and Suspensions begins on page 33.



Department of the Treasury  
**Internal Revenue Service**

# Mission of the Service

The purpose of the Internal Revenue Service is to collect the proper amount of tax revenue at the least cost; serve the public by continually improving the quality of our prod-

ucts and services; and perform in a manner warranting the highest degree of public confidence in our integrity, efficiency, and fairness.

## Statement of Principles of Internal Revenue Tax Administration

The function of the Internal Revenue Service is to administer the Internal Revenue Code. Tax policy for raising revenue is determined by Congress.

With this in mind, it is the duty of the Service to carry out that policy by correctly applying the laws enacted by Congress; to determine the reasonable meaning of various Code provisions in light of the Congressional purpose in enacting them; and to perform this work in a fair and impartial manner, with neither a government nor a taxpayer point of view.

At the heart of administration is interpretation of the Code. It is the responsibility of each person in the Service, charged with the duty of interpreting the law, to try to find the true meaning of the statutory provision and not to adopt a strained construction in the belief that he or she is "protecting the revenue." The revenue is properly protected only when we ascertain and apply the true meaning of the statute.

The Service also has the responsibility of applying and administering the law in a reasonable, practical manner. Issues should only be raised by examining officers when they have merit, never arbitrarily or for trading purposes. At the same time, the examining officer should never hesitate to raise a meritorious issue. It is also important that care be exercised not to raise an issue or to ask a court to adopt a position inconsistent with an established Service position.

Administration should be both reasonable and vigorous. It should be conducted with as little delay as possible and with great courtesy and considerateness. It should never try to overreach, and should be reasonable within the bounds of law and sound administration. It should, however, be vigorous in requiring compliance with law and it should be relentless in its attack on unreal tax devices and fraud.

# Introduction

The Internal Revenue Bulletin is the authoritative instrument of the Commissioner of Internal Revenue for announcing official rulings and procedures of the Internal Revenue Service and for publishing Treasury Decisions, Executive Orders, Tax Conventions, legislation, court decisions, and other items of general interest. It is published weekly and may be obtained from the Superintendent of Documents on a subscription basis. Bulletin contents of a permanent nature are consolidated semiannually into Cumulative Bulletins, which are sold on a single-copy basis.

It is the policy of the Service to publish in the Bulletin all substantive rulings necessary to promote a uniform application of the tax laws, including all rulings that supersede, revoke, modify, or amend any of those previously published in the Bulletin. All published rulings apply retroactively unless otherwise indicated. Procedures relating solely to matters of internal management are not published; however, statements of internal practices and procedures that affect the rights and duties of taxpayers are published.

Revenue rulings represent the conclusions of the Service on the application of the law to the pivotal facts stated in the revenue ruling. In those based on positions taken in rulings to taxpayers or technical advice to Service field offices, identifying details and information of a confidential nature are deleted to prevent unwarranted invasions of privacy and to comply with statutory requirements.

Rulings and procedures reported in the Bulletin do not have the force and effect of Treasury Department Regulations, but they may be used as precedents. Unpublished rulings will not be relied on, used, or cited as precedents by Service personnel in the disposition of other cases. In applying published rulings and procedures, the effect of subsequent legislation, regulations, court decisions, rulings, and proce-

dures must be considered, and Service personnel and others concerned are cautioned against reaching the same conclusions in other cases unless the facts and circumstances are substantially the same.

The Bulletin is divided into four parts as follows:

## Part I.—1986 Code.

This part includes rulings and decisions based on provisions of the Internal Revenue Code of 1986.

## Part II.—Treaties and Tax Legislation.

This part is divided into two subparts as follows: Subpart A, Tax Conventions, and Subpart B, Legislation and Related Committee Reports.

## Part III.—Administrative, Procedural, and Miscellaneous.

To the extent practicable, pertinent cross references to these subjects are contained in the other Parts and Subparts. Also included in this part are Bank Secrecy Act Administrative Rulings. Bank Secrecy Act Administrative Rulings are issued by the Department of the Treasury's Office of the Assistant Secretary (Enforcement).

## Part IV.—Items of General Interest.

With the exception of the Notice of Proposed Rulemaking and the disbarment and suspension list included in this part, none of these announcements are consolidated in the Cumulative Bulletins.

The first Bulletin for each month includes a cumulative index for the matters published during the preceding months. These monthly indexes are cumulated on a semiannual basis and are published in the first Bulletin of the succeeding semiannual period, respectively.

The contents of this publication are not copyrighted and may be reprinted freely. A citation of the Internal Revenue Bulletin as the source would be appropriate.

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# Part I. Rulings and Decisions Under the Internal Revenue Code of 1986

## Section 472.—Last-in, First-out Inventories

26 CFR 1.472-1: Last-in, first-out inventories.

**LIFO; price indexes; department stores.** The August 1998 Bureau of Labor Statistics price indexes are accepted for use by department stores employing the retail inventory and last-in, first-out inventory methods for valuing inventories for tax years ended on, or with reference to, August 31, 1998.

## Rev. Rul. 98-51

The following Department Store Inventory Price Indexes for August 1998 were issued by the Bureau of Labor Statistics. The indexes are accepted by the Internal Revenue Service, under § 1.472-1(k) of the Income Tax Regulations and Rev. Proc. 86-46, 1986-2 C.B. 739, for appropriate application to inventories of department stores employing the retail inventory and last-in, first-out inventory methods for tax years ended on, or with reference to, August 31, 1998.

The Department Store Inventory Price Indexes are prepared on a national basis and include (a) 23 major groups of departments, (b) three special combinations of the major groups - soft goods, durable goods, and miscellaneous goods, and (c) a store total, which covers all departments, including some not listed separately, except for the following: candy, food, liquor, tobacco, and contract departments.

### BUREAU OF LABOR STATISTICS, DEPARTMENT STORE INVENTORY PRICE INDEXES BY DEPARTMENT GROUPS (January 1941 = 100, unless otherwise noted)

Groups	Aug. 1997	Aug. 1998	Percent Change from Aug. 1997 to Aug. 1998 <sup>1</sup>
1. Piece Goods . . . . .	509.3	555.1	9.0
2. Domestics and Draperies . . . . .	652.8	630.9	-3.4
3. Women's and Children's Shoes . . . . .	644.1	656.2	1.9
4. Men's Shoes . . . . .	895.6	910.5	1.7
5. Infants' Wear . . . . .	621.2	616.2	-0.8
6. Women's Underwear . . . . .	548.8	579.1	5.5
7. Women's Hosiery . . . . .	301.6	306.5	1.6
8. Women's and Girls' Accessories . . . . .	539.7	548.8	1.7
9. Women's Outerwear and Girls' Wear . . . . .	397.4	399.0	0.4
10. Men's Clothing . . . . .	621.2	621.0	0.0
11. Men's Furnishings . . . . .	584.8	594.0	1.6
12. Boys' Clothing and Furnishings . . . . .	492.2	498.8	1.3
13. Jewelry . . . . .	1008.6	981.9	-2.6
14. Notions . . . . .	793.8	767.8	-3.3
15. Toilet Articles and Drugs . . . . .	904.7	940.7	4.0
16. Furniture and Bedding . . . . .	661.0	679.6	2.8
17. Floor Coverings . . . . .	598.8	601.8	0.5
18. Housewares . . . . .	806.1	809.9	0.5
19. Major Appliances . . . . .	242.8	238.0	-2.0
20. Radio and Television . . . . .	75.4	71.4	-5.3
21. Recreation and Education <sup>2</sup> . . . . .	110.1	103.5	-6.0
22. Home Improvements <sup>2</sup> . . . . .	132.3	131.1	-0.9
23. Auto Accessories <sup>2</sup> . . . . .	108.4	107.3	-1.0
Groups 1 - 15: Soft Goods . . . . .	594.5	598.7	0.7
Groups 16 - 20: Durable Goods . . . . .	463.1	460.2	-0.6
Groups 21 - 23: Misc. Goods <sup>2</sup> . . . . .	112.6	107.8	-4.3
Store Total <sup>3</sup> . . . . .	549.3	548.4	-0.2

<sup>1</sup>Absence of a minus sign before percentage change in this column signifies price increase.

<sup>2</sup>Indexes on a January 1986=100 base.

<sup>3</sup>The store total index covers all departments, including some not listed separately, except for the following: candy, food, liquor, tobacco, and contract departments.

## DRAFTING INFORMATION

The principal author of this revenue ruling is Stan Michaels of the Office of Assistant Chief Counsel (Income Tax and Accounting). For further information regarding this revenue ruling, contact Mr. Michaels on (202) 622-4970 (not a toll-free call).

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## Section 6212.—Notice of Deficiency

*26 CFR 301.6212–1. Notice of deficiency.*

For instructions on how to enter into an agreement with the Service to rescind a notice of deficiency, see Rev. Proc. 98–54, page 7.

## Part II. Treaties and Tax Legislation

### Subpart A.—Tax Conventions

#### UNITED ARAB EMIRATES

UNITED ARAB EMIRATES  
MINISTRY OF  
FOREIGN AFFAIRS  
ABU DHABI  
DECEMBER 1, 1997

The Government of the United Arab Emirates agrees to exempt from tax gross income derived from the international operation of ships or aircraft by individuals who are residents of the United States (other than citizens of the United Arab Emirates) and corporations which are incorporated in the United States, this exemption is granted on the basis of equivalent exemptions granted by the United States to individual residents of the United Arab Emirates and to corporations organized in the United Arab Emirates.

For the purposes of exemption from the U.S. tax, the government of the United Arab Emirates will be treated as an individual resident of the United Arab Emirates.

In this agreement:

(A) The terms “contracting state” and “other contracting state” mean the United Arab Emirates or the United States of America, the Governments of which have concluded this agreement.

(B) Gross income includes all income derived from the international operation of ships or aircraft, including:

(1) Income from the rental on full (time or voyage) basis of ships or aircraft used in international transport.

(2) Income from the rental on a bareboat basis of ships or aircraft used in international transport.

(3) Income from the rental of containers and related equipment used in international transport that is incidental to income from the international operation of ships and aircraft, and

(4) Gains from the sale or other alienation of ships or aircraft used in international transport derived by a person primarily engaged in the international operation of ships or aircraft.

The Government of the United Arab

Emirates proposes that, if the foregoing is acceptable to the Government of the United States, this note and the State Department’s note in reply shall constitute an Agreement. The Agreement shall have effect with respect to taxable years beginning on or after January 1, 1994.

This Agreement shall continue in force until the Government of either contracting state gives written notice of termination of the Agreement to the other Contracting State through Diplomatic Channels.

The Embassy of the United States of America presents its compliments to the Ministry of Foreign Affairs of the United Arab Emirates and has the honor to refer to the Ministry’s Note No. 3/1/73/8742 dated October 7, 1997, covering a draft note from the Ministry of Finance and Industry, which reads as follows:

#### BEGIN TEXT

The Government of the United Arab Emirates agrees to exempt from tax gross income derived from the international operation of ships or aircraft by individuals who are residents of the United States (other than citizens of the United Arab Emirates) and corporations which are incorporated in the United States. This exemption is granted on the basis of equivalent exemptions granted by the United States to individual residents of the United Arab Emirates and to corporations organized in the United Arab Emirates.

For the purposes of exemption from the U.S. tax, the Government of the United Arab Emirates will be treated as an individual resident of the United Arab Emirates.

In this agreement:

(A) The terms “contracting state” and “other contracting state” mean the United Arab Emirates or the United States of America, the governments of which have concluded this agreement.

(B) Gross income includes all income derived from the international operation of ships or aircraft, including:

(1) Income from the rental on full (time or voyage) basis of ships or aircraft used in international transport.

(2) Income from the rental on a bareboat basis of ships or aircraft used in international transport.

(3) Income from the rental of containers and related equipment used in international transport that is incidental to income from the international operation of ships and aircraft, and

(4) Gains from the sale or other alienation of ships or aircraft used in international transport derived by a person primarily engaged in the international operation of ships or aircraft.

The Government of the United Arab Emirates proposes that, if the foregoing is acceptable to the Government of the United States, this note and the State Department’s note in reply shall constitute an agreement. The agreement shall have effect with respect to taxable years beginning on or after January 1, 1994.

This agreement shall continue in force until the government of either contracting state gives written notice of termination of the agreement to the other contracting state through diplomatic channels.

#### END TEXT

The Embassy, on behalf of the Government of the United States of America, confirms its acceptance of the terms of the Ministry’s note with the understanding that in the case of a United Arab Emirates corporation, the exemption from U.S. tax shall apply only if the corporation meets the ownership or public trading requirements of U.S. law. Therefore, the Ministry’s note and this note in reply constitute an agreement which shall enter into force on December 1, 1997, and shall have effect with respect to taxable years beginning on or after January 1, 1994.

This agreement shall continue in force until the government of either contracting state gives written notice of termination of the agreement to the other contracting party through diplomatic channels.

The Embassy of the United States of America avails itself of this opportunity to renew to the Ministry of Foreign Affairs the assurances of its highest consideration.

## Part III. Administrative, Procedural, and Miscellaneous

26 CFR 601.105: Examination of returns and claims for refund, credit, or abatement; determination of correct tax liability.  
(Also Part I, sections 6212; 301.6212-1)

Rev. Proc. 98-54

### SECTION 1. PURPOSE

This revenue procedure provides taxpayers with instructions for entering into an agreement with the Internal Revenue Service under § 6212(d) of the Internal Revenue Code to rescind a notice of deficiency. This revenue procedure clarifies, modifies, and supersedes Rev. Proc. 88-17, 1988-1 C.B. 692.

### SECTION 2. BACKGROUND

.01 Section 6212(a) provides that if the Secretary determines that there is a deficiency in respect of any tax imposed by subtitle A of title 26 (relating to income taxes), subtitle B (relating to estate, gift, and generation-skipping taxes), or chapters 41, 42, 43, or 44 (relating to certain excise taxes), the Secretary is authorized to send a notice of the deficiency to the taxpayer by certified mail or registered mail.

.02 Section 6212(c)(1) provides, in general, that if the Secretary has mailed to the taxpayer a notice of deficiency as provided in § 6212(a), and the taxpayer files a petition with the Tax Court within the time prescribed in § 6213(a), the Secretary has no right to determine any additional deficiency, except in the case of fraud, and except as provided in § 6214(a) (relating to assertion of greater deficiencies before the Tax Court), in § 6213(b)(1) (relating to mathematical or clerical errors), in § 6851 or 6852 (relating to termination assessments), or in § 6861(c) (relating to jeopardy assessments).

.03 Section 6213(a) states that within 90 days, or 150 days if the notice is addressed to a person outside the United States, after the notice of deficiency authorized in § 6212 is mailed, the taxpayer may file a petition with the Tax Court for a redetermination of the deficiency. Except as provided in § 6851, 6852, or 6861, no assessment of a deficiency and no levy or proceeding in court for its collection can be made, begun, or prosecuted until

the notice has been mailed to the taxpayer, nor until the expiration of the 90-day or 150-day restriction period, as the case may be, nor, if a petition has been filed with the Tax Court, until the decision of the Tax Court has become final. Under § 6213(d), a taxpayer may waive these restrictions at any time.

.04 Section 6501 provides generally that the amount of any tax imposed by title 26 must be assessed within 3 years after the return was filed. Section 6503(a) provides that the running of the period of limitations in § 6501 is suspended (after the mailing of a notice under § 6212(a)) for the period during which the Secretary is prohibited from making the assessment or from collecting by levy or a proceeding in court, and for 60 days thereafter.

.05(1) Section 6212(d) provides that the Secretary may, with the consent of the taxpayer, rescind any notice of deficiency mailed to the taxpayer. Any notice so rescinded is not treated as a notice of deficiency for purposes of § 6212(c)(1) (relating to further deficiency letters restricted), § 6213(a) (relating to restrictions applicable to deficiencies and petition to Tax Court), and § 6512(a) (relating to limitations in case of petition to Tax Court), and the taxpayer has no right to file a petition with the Tax Court based on the notice.

(2) The Technical and Miscellaneous Revenue Act of 1988 (Act), § 1015(m), 1988-3 C.B. 232, amended § 6212(d) by adding the following sentence: "Nothing in this subsection shall affect any suspension of the running of any period of limitations during any period during which the rescinded notice was outstanding." This amendment is effective for notices of deficiency issued on or after January 1, 1986.

(3) The House Report accompanying the Act provides the following example to illustrate the operation of the final sentence of § 6212(d):

[A]ssume that six months remain to run on the statute of limitations with respect to a return when the IRS issues a statutory notice of deficiency. Issuance of this notice suspends the statute of limitations. If the IRS and the taxpayer agree to rescind the statutory notice, then as of the date

the notice is rescinded, the statute of limitations again begins to run and (in this example) six months remains [sic] until the statute expires.

H.R. Rep. No. 795, 100th Cong., 2d Sess. 364 (1988).

### SECTION 3. SIGNIFICANT CHANGES AND CLARIFICATIONS TO REV. PROC. 88-17

.01 Section 3.05(1) of Rev. Proc. 88-17 provides, in part, that the Service will not rescind a notice of deficiency if, on the date of rescission, the period of limitations on assessment would have expired but for the issuance of the notice of deficiency. This provision is deleted as a result of the 1988 amendment to § 6212(d), which clarifies that a notice of deficiency that is subsequently rescinded suspends the period of limitations until the date of its rescission. See section 4.05(1) of this revenue procedure.

.02 Section 3.05(4) of Rev. Proc. 88-17 provides that the Service will not rescind a notice of deficiency if, prior to the issuance of the notice of deficiency, the taxpayer and the Service have executed a Form 872-A, Special Consent to Extend the Time to Assess Tax, covering any of the tax years in the notice of deficiency. This provision is modified to permit rescission, provided the taxpayer and the Service execute another Form 872-A prior to rescission). See section 4.05(4) of this revenue procedure.

.03 Section 4.03 of Rev. Proc. 88-17 is clarified to provide that the Service may initiate rescission of a notice of deficiency). See section 5.03 of this revenue procedure.

.04 In lieu of using a Form 8626, Agreement to Rescind Notice of Deficiency, the use of an alternative document is authorized for rescission of a notice of deficiency). See section 5.06 of this revenue procedure.

### SECTION 4. SCOPE AND OBJECTIVE

.01 This revenue procedure applies to agreements to rescind a notice of deficiency mailed to a taxpayer pursuant to § 6212(a). This procedure does not apply to a Notice of Final Partnership Administrative Adjustment (FPAA) or to a Notice

of Final S Corporation Administrative Adjustment (FSAA).

.02 Whether a notice of deficiency will be rescinded is discretionary on the part of the Secretary. A notice of deficiency may only be rescinded with the consent of the taxpayer.

.03 If a notice of deficiency is rescinded, it is generally treated as if it never existed. Limitations regarding credits, refunds, and assessments relating to the rescinded notice are void and the rights and obligations of the parties that existed prior to the issuance of the notice of deficiency are reinstated. The rescinded notice does, however, suspend the running of the period of limitations under § 6503 for the period during which the notice is outstanding. The Commissioner or the Commissioner's delegate may issue a later notice of deficiency in an amount that exceeds, is the same as, or is less than the amount in the rescinded notice of deficiency. The taxpayer may exercise all administrative and statutory appeal rights from a reissued notice of deficiency, but cannot petition the Tax Court from a rescinded notice of deficiency.

.04 Except as provided in section 4.05 of this revenue procedure, a notice of deficiency may be rescinded for the following reasons:

(1) The notice was issued as a result of an administrative error: for example, the notice was issued (a) to the wrong taxpayer, (b) for the wrong tax period, or (c) without considering a properly executed Form 872, Consent to Extend the Time to Assess Tax, or Form 872-A;

(2) The taxpayer submits information establishing the actual tax due is less than the amount shown in the notice; or

(3) The taxpayer specifically requests a conference with the appropriate Appeals office for the purpose of entering into settlement negotiations. However, the notice may be rescinded only if the appropriate Appeals office first decides that the case is susceptible to agreement.

.05 The Service will not rescind a notice of deficiency under the following circumstances:

(1) On the date of the rescission, 90 days or less would remain before the expiration date of the period of limitations on assessment. However, a notice of deficiency may be rescinded in these circumstances if, before the rescission, the tax-

payer and the Service execute a consent to extend the period of limitations on Form 872 or Form 872-A;

(2) The 90-day or 150-day restriction period under § 6213(a) has expired without the taxpayer filing a petition with the Tax Court;

(3) The taxpayer has filed a petition with the Tax Court; or

(4) The taxpayer and the Service, prior to the issuance of the notice of deficiency, have executed a Form 872-A covering any of the tax years in the notice of deficiency. A notice of deficiency may be rescinded in this situation, however, if prior to rescinding the notice of deficiency the taxpayer and the Service execute a new Form 872-A covering the same tax years as the earlier Form 872-A.

## SECTION 5. PROCEDURE

.01 Taxpayers that wish to have a notice of deficiency rescinded should contact the person/office listed on the notice and request Form 8626. Taxpayers that wish an Appeals conference (see section 4.04(3) of this revenue procedure) should contact the person/office listed on the notice to find out how to contact the appropriate Appeals Office.

.02 A request to rescind a notice of deficiency should be made by the taxpayer as soon as possible after receipt of the notice because a notice will not be rescinded after the 90-day or 150-day restriction period under § 6213(a) has expired.

.03 If the Service determines that a notice of deficiency should be rescinded, the Service will send Form 8626 to the taxpayer requesting the taxpayer's written consent to rescind. If appropriate, Form 872 or Form 872-A will also be sent for the taxpayer's signature. If the taxpayer agrees to the rescission of the notice of deficiency, the signed Form 8626 (and Form 872 or Form 872-A if appropriate) must be returned to the office that sent the Form 8626 as soon as possible, prior to the expiration of the applicable 90-day or 150-day restriction period. After the Form 8626 is returned by the taxpayer and signed on behalf of the Commissioner, a copy will be sent to the taxpayer (and/or the taxpayer's authorized representative(s)). The effective date of the rescission agreement is the date on which the Commissioner's delegate signs Form 8626.

.04 If the notice of deficiency was issued to a husband and wife jointly, Form 8626 and, if appropriate, Form 872 or Form 872-A, must be signed by both the husband and wife, or their authorized representative(s). If Form 8626 and/or Form 872 or Form 872-A is signed by a representative, and a power of attorney has not previously been filed, the power of attorney must be included with Form 8626.

.05 Form 8626 must cover the same tax period(s) as the notice of deficiency to which it relates and must reflect the same tax deficiency and penalties as the notice of deficiency.

.06 Although use of Form 8626 is preferred, a document that reflects agreement by the taxpayer and the Service to rescind the notice of deficiency, pursuant to § 6212(d), may be used in lieu of Form 8626. Such a document will not be effective unless it contains the following:

(1) a statement that the taxpayer and the Commissioner's delegate agree to rescind the notice of deficiency;

(2) identification of the notice of deficiency, including the date it was issued, the type of tax, the tax period(s), and the amount(s) of the deficiency or deficiencies and any penalties;

(3) representations that the period of limitations on assessment has not expired and that the taxpayers have not petitioned the Tax Court;

(4) an agreement that the effect of the rescission is to return the parties to the rights and obligations existing immediately prior to the issuance of the rescinded notice of deficiency, including the right of the Service to issue a later notice of deficiency, for any amount, and the right of the taxpayer then to appeal to the Tax Court; and

(5) the signatures (on the same document) of both the Commissioner's delegate and the taxpayer (or the taxpayer's representative). If the document is signed by the taxpayer's representative, and a power of attorney has not previously been filed, the power of attorney must be included with the document.

.07 A properly executed Form 8626 (or a document as provided in section 5.06 of this revenue procedure) is the only way that a notice of deficiency may be rescinded.

.08 If the Service does not agree that the notice of deficiency should be rescinded, the taxpayer will be so notified in writing, and the notice of deficiency will remain in effect. If the taxpayer wishes to file a petition with the Tax Court, the taxpayer must file the petition within the applicable 90-day or 150-day restriction period, which may not be extended.

#### SECTION 6. EFFECT ON OTHER REVENUE PROCEDURES

Rev. Proc. 88-17, 1988-1 C.B. 692, is clarified, modified, and superseded.

#### SECTION 7. EFFECTIVE DATE

This revenue procedure is effective with respect to notices of deficiency issued on or after January 1, 1986.

#### DRAFTING INFORMATION

The principal author of this revenue procedure is Catherine A. Prohofsky of the Office of Assistant Chief Counsel (Income Tax and Accounting). For further information regarding this revenue procedure, contact Andrew Irving on (202) 622-4930 (not a toll-free call).

## Part IV. Items of General Interest

### Information Reporting with Respect to Certain Foreign Partnerships

#### Announcement 98-93

The Internal Revenue Service announces that it is requesting comments from the public on proposed new Form 8865 and its accompanying instructions. The form is to be used to satisfy the reporting requirements with respect to certain foreign partnerships under sections 6038, 6038B, and 6046A. Attached to this announcement is a copy of the proposed form and instructions.

#### BACKGROUND

The Taxpayer Relief Act of 1997 (TRA 97), Pub. L. No. 105-34, 111 Stat. 983 (1997), significantly modified the information reporting requirements with respect to foreign partnerships under sections 6038, 6038B, and 6046A. On September 9, 1998, the Service published

in the Federal Register proposed regulations §§ 1.6038-3, 1.6038B-2, and 1.6046A-1. These regulations would implement the new foreign partnership reporting regime put in place by TRA 97. The proposed regulations provide that the information required to be reported pursuant to sections 6038, 6038B, and 6046A must be reported on Form 8865, Information Return of U.S. Persons with Respect to Certain Foreign Partnerships. Treasury and the Service have requested comments regarding the proposed regulations and have scheduled a public hearing on the proposed regulations for November 10, 1998. The hearing will be held in room 2615, Internal Revenue Building, 1111 Constitution Avenue, NW, Washington, DC.

#### REQUEST FOR COMMENTS ON THE FORM

Comments about proposed Form 8865 and its instructions may be made in writing and at the November 10, 1998 hear-

ing. Treasury and the Service are particularly interested in receiving comments on whether the form's requirements are burdensome, and, if they are, how the burden might be ameliorated while still protecting the interests of the government and carrying out the purposes of the statute. Treasury and the Service also are interested in receiving comments on whether any of the information required by the form is duplicative of information reported elsewhere and whether any of the information required by the form is unnecessary. Outlines of comments regarding the proposed form that will be made at the hearing must be received by November 6, 1998.

Written comments about the form and instructions should be sent to: Chairman, Tax Forms Coordinating Committee, Internal Revenue Service, OP:FS:FP, Room 5577, 1111 Constitution Avenue, NW, Washington, DC 20224. Alternatively, you may e-mail your comments to [tftpmail@publish.no.irs.gov](mailto:tftpmail@publish.no.irs.gov).

Form **8865**

(November 1998)

Department of the Treasury  
Internal Revenue Service**Information Return of U.S. Persons With  
Respect To Certain Foreign Partnerships**

► See separate instructions.

Information furnished for the foreign partnership's annual accounting period  
(see instructions) beginning , and ending ,

OMB No. 1545-XXXX

**File In Duplicate**  
(see When and Where  
To File in the  
instructions)**Important:** All information **MUST** be in the English language. All amounts **MUST** be stated in U.S. dollars unless otherwise indicated.

Name of person filing this return	Identification number
Number, street, and room or suite no. (or P.O. box number if mail is not delivered to street address)	A Category of filer (see Categories of Filers in the instructions and check applicable box(es)): (1) <input type="checkbox"/> (2) <input type="checkbox"/> (3) <input type="checkbox"/> (4) <input type="checkbox"/>
City or town, state, and ZIP code	

Filer's tax year beginning , and ending

**B** Person(s) on whose behalf this information return is filed:

(1) Name	(2) Address	(3) Identification number	(4) Check applicable box(es)		
			Controlling Partner	Indirect Owner	Other

<b>C</b> Parent of consolidated group	Address	EIN

**1** Provide the following general information:**a** This partner is a ☐ general partner ☐ limited partner ☐ member ☐ manager ☐ other

<b>b</b> Enter partner's percentage of:	Beginning of annual accounting period	End of annual accounting period	<b>c</b> Enter partner's share of liabilities:
Profits	..... %	..... %	Nonrecourse
Ownership of capital	..... %	..... %	Amount, . . . . . \$ .....
Losses	..... %	..... %	Amount with respect to disregarded entity, \$ .....
Deductions	..... %	..... %	Qualified nonrecourse financing . . . \$ .....
			Other . . . . . \$ .....

**d** Enter number of entities owned by the partnership that have elected to be disregarded entities: .....

<b>2a</b> Name and address of foreign partnership		<b>b</b> Employer identification number, if any	
		<b>c</b> Country under whose laws organized	
<b>d</b> Date of organization	<b>e</b> Principal place of business	<b>f</b> Principal business activity code number	<b>g</b> Principal business activity
<b>h</b> Foreign partnership's functional currency			

**3** Provide the following information for the foreign partnership's annual accounting period:

<b>a</b> Name, address, and identification number of office or agent (if any) in the United States	<b>b</b> Check if the foreign partnership must file: <input type="checkbox"/> Form 1042 <input type="checkbox"/> Form 8804 <input type="checkbox"/> Form 1065 or 1065-B <input type="checkbox"/> Form 8805 IRS Service Center where return is filed:
<b>c</b> Name and address of foreign partnership's agent in country of organization, if any	<b>d</b> Name and address of person (or persons) with custody of the books and records of the foreign partnership, and the location of such books and records, if different

**e** Were any special allocations made by the foreign partnership? . . . . . ☐ Yes ☐ No

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Cat. No. 25852A

Form **8865** (11-98)

PROOF AS OF OCTOBER 9, 1998

**Schedule A** **Partners of Foreign Partnership** (see instructions)[illegible]

**Schedule B** **Income Statement—Trade and Business Income** (Complete both columns unless the functional currency is the U.S. dollar. In that case, complete only the U.S. Dollars column.) See instructions.

**Caution:** Include only trade or business income and expenses on lines 1a through 18 below. See the instructions for more information.

					Functional Currency	U.S. Dollars
Income	1a Gross receipts or sales . . . . .	1a				
	b Less returns and allowances . . . . .	1b			1c	
	2 Cost of goods sold . . . . .				2	
	3 Gross profit. Subtract line 2 from line 1c . . . . .				3	
	4 Ordinary income (loss) from other partnerships, estates, and trusts (attach schedule) . . . . .				4	
	5 Net gain (loss) from Form 4797, Part II, line 18 . . . . .				5	
	6 Other income (loss) (attach schedule) . . . . .				6	
7 Total income (loss). Combine lines 3 through 6 . . . . .				7		
Deductions	8 Salaries and wages (other than to partners) (less employment credits) . . . . .				8	
	9 Guaranteed payments to partners . . . . .				9	
	10 Bad debts . . . . .				10	
	11 Rents and royalties . . . . .				11	
	12 Taxes and licenses . . . . .				12	
	13 Interest . . . . .				13	
	14a Depreciation . . . . .	14a				
	b Less depreciation reported elsewhere on return . . . . .	14b			14c	
	15 Depletion (Do not deduct oil and gas depletion.) . . . . .				15	
	16 Other deductions (attach schedule) . . . . .				16	
	17 Total deductions. Add the amounts shown in the far right column for lines 8 through 16 . . . . .				17	
18 Ordinary income (loss) from trade or business activities. Subtract line 17 from line 7 . . . . .				18		

PROOF AS OF 10/9/1998

**Schedule C-1 Partners' Shares of Income, Credits, Deductions, Etc.**

Distributive share items		Functional Currency	U.S. Dollars
Income (Loss)	1 Ordinary income (loss) from trade or business activities (enter from Schedule B, line 22) . . . . .	1	
	2 Net income (loss) from rental real estate activities . . . . .	2	
	3 Net income (loss) from other rental activities . . . . .	3	
	4 Portfolio income (loss):		
	a Interest income . . . . .	4a	
	b Dividend income . . . . .	4b	
	c Royalty income . . . . .	4c	
	d Net short-term capital gain (loss) . . . . .	4d	
	e Net long-term capital gain (loss) . . . . .	4e	
	(1) 28% rate gain (loss) ▶ . . . . . (2) Total for year . . . ▶	4e(2)	
	f Other portfolio income (loss) (attach schedule) . . . . .	4f	
5 Guaranteed payments to partners . . . . .	5		
6 Net section 1231 gain (loss) (other than due to casualty or theft) (attach Form 4797):			
a 28% rate gain (loss) ▶ . . . . . b Total for year . . . ▶	6b		
7 Other income (loss) (attach schedule) . . . . .	7		
Deductions	8 Charitable contributions (attach schedule) . . . . .	8	
	9 Section 179 expense deduction . . . . .	9	
	10 Deductions related to portfolio income (itemize) . . . . .	10	
	11 Other deductions (attach schedule) . . . . .	11	
Credits	12 Credits related to real estate activities (attach schedule) . . . . .	12	
	13 Other credits (attach schedule) . . . . .	13	
Investment Interest	14a Interest expense on investment debts . . . . .	14a	
	b (1) Investment income included on lines 4a, 4b, 4c, and 4f above . . . . .	14b(1)	
	(2) Investment expenses included on line 10 above . . . . .	14b(2)	
Adjustments and Tax Preference Items	15a Depreciation adjustment on property placed in service after 1986 . . . . .	15a	
	b Adjusted gain or loss . . . . .	15b	
	c Depletion (other than oil and gas) . . . . .	15c	
	d (1) Gross income from oil, gas, and geothermal properties . . . . .	15d(1)	
	(2) Deductions allocable to oil, gas, and geothermal properties (including oil and gas depletion) . . . . .	15d(2)	
	e Other adjustments and tax preference items (attach schedule) . . . . .	15e	
Other	16 Section 59(e)(2) expenditures: a Type ▶ . . . . . b Amount ▶	16b	
	17 Tax-exempt interest income . . . . .	17	
	18 Other tax-exempt income . . . . .	18	
	19 Nondeductible expenses . . . . .	19	
	20 Distributions of money (cash and marketable securities) . . . . .	20	
	21 Distributions of property other than money . . . . .	21	
	22 Other items and amounts required to be reported separately to partners (attach schedule) . . . . .	22	
23 Did the partnership incur a dual consolidated loss within the meaning of Regulations section 1.1503-2(c)(5)? . . . . .		<input type="checkbox"/> Yes <input type="checkbox"/> No	
24 Does the partnership own any separate units within the meaning of Regulations section 1.1503-2(c)(3)? . . . . .		<input type="checkbox"/> Yes <input type="checkbox"/> No	

**Schedule C-2 Partners' Shares of Foreign Tax Credit Items**

	(a) General Limitation Income	(b) Passive Income	(c) Financial Services Income	(d) Other (see instructions)
1 Gross income sourced at partner level				
2 Gross income sourced at partnership level				
3 Deductions allocated and apportioned at partner level:				
a Interest expense				
b Other				
4 Deductions allocated and apportioned at partnership level				
5 Creditable foreign taxes				

PROOF AS OF 10/9/1998

**Schedule D Capital Gains and Losses****Part I Short-Term Capital Gains and Losses—Assets Held 1 Year or Less**

(a) Description of property (e.g., 100 shares of "Z" Co.)	(b) Date acquired (month, day, year)	(c) Date sold (month, day, year)	(d) Sales price (see instructions)	(e) Cost or other basis (see instructions)	(f) Gain or (loss) for entire year. ((d) minus (e))	
1						
2	Short-term capital gain from installment sales from Form 6252, line 26 or 37				2	
3	Short-term capital gain (loss) from like-kind exchanges from Form 8824 . . . . .				3	
4	Partnership's share of net short-term capital gain (loss), including specially allocated short-term capital gains (losses), from other partnerships, estates, and trusts . . . . .				4	
5	<b>Net short-term capital gain or (loss).</b> Combine lines 1 through 4 in column (f). Enter here and on Schedule C-1, line 4d or 7 . . . . .				5	

**Part II Long-Term Capital Gains and Losses—Assets Held More Than 1 Year**

(a) Description of property (e.g., 100 shares of "Z" Co.)	(b) Date acquired (month, day, year)	(c) Date sold (month, day, year)	(d) Sales price (see instructions)	(e) Cost or other basis (see instructions)	(f) Gain or (loss) for entire year. ((d) minus (e))	(g) 28% rate gain or (loss) *(see instr. below)
6						
7	Long-term capital gain from installment sales from Form 6252, line 26 or 37 . . . . .				7	
8	Long-term capital gain (loss) from like-kind exchanges from Form 8824 . . . . .				8	
9	Partnership's share of net long-term capital gain (loss), including specially allocated long-term capital gains (losses), from other partnerships, estates, and trusts . . . . .				9	
10	Capital gain distributions . . . . .				10	
11	Combine lines 6 through 10 in column (g). Enter here and on Schedule C-1, line 4e(1) or 7 . . . . .				11	
12	<b>Net long-term capital gain or (loss).</b> Combine lines 6 through 10 in column (f). Enter here and on Form 8865, Schedule C-1, line 4e(2) or 7 . . . . .				12	

\*28% rate gain or (loss) includes all "collectibles gains and losses" as defined in the instructions.

**Schedule E-1 Balance Sheet**

Assets		(a) Beginning of annual accounting period	(b) End of annual accounting period
1	Cash . . . . .	1	
2a	Trade notes and accounts receivable . . . . .	2a	
b	Less allowance for bad debts . . . . .	2b ( ) ( )	
3	Inventories . . . . .	3	
4	Other current assets (attach schedule) . . . . .	4	
5	Loans to partners and other related persons . . . . .	5	
6	Investment in subsidiaries, partnerships, and trusts (attach schedule) . . . . .	6	
7	Other investments (attach schedule) . . . . .	7	
8a	Buildings and other depreciable assets . . . . .	8a	
b	Less accumulated depreciation . . . . .	8b ( ) ( )	
9a	Depletable assets . . . . .	9a	
b	Less accumulated depletion . . . . .	9b ( ) ( )	
10	Land (net of any amortization) . . . . .	10	
11	Intangible assets:		
a	Goodwill . . . . .	11a	
b	Organization costs . . . . .	11b	
c	Patents, trademarks, and other intangible assets (attach schedule) . . . . .	11c	
d	Less accumulated amortization for lines 11a, b, and c . . . . .	11d ( ) ( )	
12	Other assets (attach schedule) . . . . .	12	
13	Total assets . . . . .	13	
Liabilities and Capital			
14	Accounts payable . . . . .	14	
15	Other current liabilities (attach schedule) . . . . .	15	
16	Loans from partners and other related persons . . . . .	16	
17	All nonrecourse loans . . . . .	17	
18	Other liabilities (attach schedule) . . . . .	18	
19	Partners' capital accounts . . . . .	19	
20	Total liabilities and capital . . . . .	20	

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**Schedule E-2 Balance Sheet for Interest Allocation**

	(a) Beginning of annual accounting period	(b) End of annual accounting period
1 Total U.S. Assets . . . . .		
2 Total Foreign Assets . . . . .		
a General Limitation Category. . . . .		
b Passive Category . . . . .		
c Other Categories (attach schedule)		

**Schedule F-1 Reconciliation of Income (Loss) per Books With Income (Loss) per Return**

	Functional Currency	U.S. Dollars		Functional Currency	U.S. Dollars
1 Net income (loss) per books . . . . .			6 Income recorded on books this year not included on Schedule C-1, lines 1 through 7 (itemize): . . . . .		
2 Income included on Schedule C-1, lines 1 through 4, 6, and 7, not recorded on books this year (itemize): . . . . .			a Tax-exempt interest . . . . .		
3 Guaranteed payments (other than health insurance). . . . .			7 Deductions included on Schedule C-1, lines 1 through 11, 14a, 16b, and Schedule C-2, line 5, not charged against book income this year (itemize): . . . . .		
4 Expenses recorded on books this year not included on Schedule C-1, lines 1 through 11, 14a, 16b, and Schedule C-2, line 5 (itemize): a Depreciation . . . . . b Travel and entertainment . . . . .			a Depreciation . . . . .		
5 Add lines 1 through 4 . . . . .			8 Add lines 6 and 7 . . . . .		
			9 Income (loss) (Analysis of Net Income (Loss), line 1). Subtract line 8 from line 5 . . . . .		

**Schedule F-2 Analysis of Partners' Capital Accounts**

	Functional Currency	U.S. Dollars		Functional Currency	U.S. Dollars
1 Balance at beginning of year . . . . .			6 Distributions: a Cash . . . . .		
2 Capital contributed during year . . . . .			b Property . . . . .		
3 Net income (loss) per books . . . . .			7 Other decreases (itemize): . . . . .		
4 Other increases (itemize): . . . . .			8 Add lines 6 and 7 . . . . .		
5 Add lines 1 through 4 . . . . .			9 Balance at end of year. Subtract line 8 from line 5 . . . . .		

**Schedule G-1 Partner's Share of Income, Credits, Deductions, etc.**

Partner's name, address, and identification number

Name of foreign partnership and identification number (if any)

Enter partner's percentage of:

Profit sharing . . . . .	End of annual accounting period	%
Ownership of capital . . . . .		%
Loss sharing . . . . .		%
Deductions . . . . .		%

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**Schedule G-1** (continued)**Analysis of partner's capital account:**

(a) Capital account at beginning of year	(b) Capital contributed during year	(c) Partner's share of lines 3, 4, and 7 of Schedule F-2 above	(d) Withdrawals and distributions	(e) Capital account at end of year (combine columns (a) through (d))
			( )	

Distributive share item			Functional Currency	U.S. Dollars
Income (Loss)	1 Ordinary income (loss) from trade or business activities . . . . .	1		
	2 Net income (loss) from rental real estate activities . . . . .	2		
	3 Net income (loss) from other rental activities . . . . .	3		
	4 Portfolio income (loss):			
	a Interest . . . . .	4a		
	b Dividends . . . . .	4b		
	c Royalties . . . . .	4c		
	d Net short-term capital gain (loss) . . . . .	4d		
	e Net long-term capital gain (loss):			
	(1) 28% rate gain (loss) . . . . .	e(1)		
	(2) Total for year . . . . .	e(2)		
	f Other portfolio income (loss) (attach schedule). . . . .	4f		
	5 Guaranteed payments to partner . . . . .	5		
	6 Net section 1231 gain (loss) (other than due to casualty or theft):			
Deductions	a 28% rate gain (loss) . . . . .	6a		
	b Total for year . . . . .	6b		
	7 Other income (loss) (attach schedule). . . . .	7		
	8 Charitable contributions (see instructions) (attach schedule) . . . . .	8		
Credits	9 Section 179 expense deduction . . . . .	9		
	10 Deductions related to portfolio income (attach schedule) . . . . .	10		
	11 Other deductions (attach schedule) . . . . .	11		
Investment Interest	12 Credits related to real estate activities (attach schedule) . . . . .	12		
	13 Other credits (attach schedule) . . . . .	13		
	14a Interest expense on investment debts . . . . .	14a		
	b (1) Investment income included on lines 4a, 4b, 4c, and 4f . . . . .	b(1)		
Adjustments and Tax Preference Items	(2) Investment expenses included on line 10 . . . . .	b(2)		
	15a Depreciation adjustment on property placed in service after 1986 . . . . .	15a		
	b Adjusted gain or loss . . . . .	15b		
	c Depletion (other than oil and gas). . . . .	15c		
	d (1) Gross income from oil, gas, and geothermal properties . . . . .	d(1)		
	(2) Deductions allocable to oil, gas, and geothermal properties (including oil and gas depletion) . . . . .	d(2)		
Other	e Other adjustments and tax preference items (attach schedule) . . . . .	15e		
	16 Section 59(e)(2) expenditures: a Type ► . . . . .	16b		
	b Amount . . . . .	17		
	17 Tax-exempt interest income. . . . .	18		
	18 Other tax-exempt income . . . . .	19		
	19 Nondeductible expenses. . . . .	20		
	20 Distributions of money (cash and marketable securities) . . . . .	21		
	21 Distributions of property other than money. . . . .	22		
	22 Recapture of low-income housing credit . . . . .			

23 Supplemental information required to be reported separately to each partner (attach additional schedules if more space is needed):

PROOF AS OF 10/9/1998

**Schedule G-2 Partners' Shares of Foreign Tax Credit Items**

	(a) General Limitation Income	(b) Passive Income	(c) Financial Services Income	(d) Other (see instructions)
<b>1</b> Gross income sourced at partner level				
<b>2</b> Gross income sourced at partnership level				
<b>3</b> Deductions allocated and apportioned at partner level				
<b>a</b> Interest expense				
<b>b</b> Other				
<b>4</b> Deductions allocated and apportioned at partnership level				
<b>5</b> Creditable foreign taxes				

**Schedule H Transactions Between Controlled Foreign Partnership and Partners or Other Related Entities**

**Important:** Complete a separate Schedule H for each controlled foreign partnership. Enter the totals for each type of transaction that occurred between the foreign partnership and the persons listed in columns (a) through (d). See instructions. Enter the relevant functional currency and the exchange rate used throughout this schedule. ►

Transactions of foreign partnership	(a) U.S. person filing this return	(b) Any domestic corporation or partnership controlling, under common control with, or controlled by the U.S. person filing this return	(c) Any other foreign corporation or partnership controlling, under common control with, or controlled by the U.S. person filing this return	(d) Any U.S. person with a 10-percent interest in a controlled foreign partnership (other than the U.S. person filing this return)
<b>1</b> Sales of inventory . . . .				
<b>2</b> Sales of property rights (patents, trademarks, etc.) .				
<b>3</b> Compensation received for tech- nical, managerial, engineering, construction, or like services .				
<b>4</b> Commissions received . . .				
<b>5</b> Rents, royalties, and license fees received . . . . .				
<b>6</b> Distributions received . . .				
<b>7</b> Interest received . . . . .				
<b>8</b> Other . . . . .				
<b>9</b> Add lines 1 through 8 . . .				
<b>10</b> Purchases of inventory . .				
<b>11</b> Purchases of tangible property other than inventory . . . .				
<b>12</b> Purchases of property rights (patents, trademarks, etc.) .				
<b>13</b> Compensation paid for tech- nical, managerial, engineering, construction, or like services .				
<b>14</b> Commissions paid . . . . .				
<b>15</b> Rents, royalties, and license fees paid . . . . .				
<b>16</b> Distributions paid . . . . .				
<b>17</b> Interest paid . . . . .				
<b>18</b> Other . . . . .				
<b>19</b> Add lines 10 through 18 . .				
<b>20</b> Amounts borrowed (enter the maximum loan balance during the year) — see instructions .				
<b>21</b> Amounts loaned (enter the maximum loan balance during the year) — see instructions .				

**Transfer of Property to a Foreign Partnership**  
**(under section 6038B)**

OMB No. 1545-XXXX

► Attach to Form 8865.

Name	Identification number
Name of foreign partnership	

**Part I**

Name, address, and identification number (if any) of each partner:

Name	Address	Identification number

**Part II**

**Transfers Reportable Under Section 6038B**

Provide the following information with respect to transfers:

Type of property	(a) Date of transfer	(b) Number of items transferred	(c) Fair market value on date of transfer	(d) Cost or other basis	(e) Section 704(c) allocation method	(f) Gain recognized on transfer	(g) Percentage interest in partnership after transfer
Cash							
Marketable securities							
Inventory							
Tangible property used in trade or business							
Intangible property							
Other property							

Supplemental Information Required to be Reported (see instructions):

**Part III**

**Dispositions Reportable Under Section 6038B**

Provide the following information with respect to dispositions:

(a) Type of property	(b) Date of original transfer	(c) Date of disposition	(d) Manner of disposition	(e) Gain recognized by partnership	(f) Depreciation recapture recognized by partnership	(g) Gain allocated to partner	(h) Depreciation recapture allocated to partner

**Part IV**

Is any transfer reported on this schedule subject to gain recognition under section 904(f)(3) or section 904(f)(5)(F)? ☐ Yes ☐ No

For Paperwork Reduction Act Notice, see the Instructions for Form 8865.

Cat. No. 25909U

Schedule I (Form 8865) (11-98)



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PROOF AS OF 10/9/1998



# Instructions for Form 8865

## Information Return of U.S. Persons With Respect To Certain Foreign Partnerships

Section references are to the Internal Revenue Code unless otherwise noted.



Department of the Treasury  
Internal Revenue Service

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### General Instructions

#### Purpose of Form

Form 8865 is used by certain U.S. persons (see **Definitions** on pages 2 and 3) to satisfy the reporting requirements of sections 6038, 6038B, 6046A, and the related regulations with respect to certain foreign partnerships.

#### Who Must File

Generally, a U.S. person qualifying under one or more of the **Categories of Filers** below must complete the schedules, statements, and/or other information requested in the instructions and the **Filer Categories - Required Information** chart on page 2. Read the information for each of the filer categories carefully to determine which schedules, statements, and/or information must be submitted.

If the filer qualifies under more than one filing category, do not duplicate information. However, complete all schedules that apply.

Complete a separate Form 8865 and the applicable schedules for each foreign partnership.

#### Categories of Filers

**Note:** See **Exceptions to Filing** below.

**Category (1) filer.** This includes a U.S. person who controls a foreign partnership at any time during the annual accounting period of the partnership. Whether any person controls a partnership is determined by reference to the agreement of the partners relating to such interests during the period.

**Category (2) filer.** This includes a U.S. person who owns (directly, indirectly, or by attribution) at least a 10-percent interest in a controlled foreign partnership at any time during the annual accounting period of the partnership. However, any such person is not a Category (2) filer (and will not have to file Form 8865) if there is a U.S. person that is a controlling partner of the controlled foreign partnership during the same annual accounting period.

**Category (3) filer.** This includes a U.S. person who contributed property to a foreign partnership in a section 721 transfer during the annual accounting period of the foreign partnership (or during the U.S. person's taxable year, if such partner is not a Category (1) or Category (2) filer) if that person either (1) owned at least a 10-percent interest in the foreign partnership immediately after the contribution or (2) the value of the property contributed (when added to the value of the property contributed by such person or any related person during the 12-month period ending on the date of transfer) exceeds \$100,000. For this purpose, if a partnership (whether foreign or domestic) contributes property to a foreign partnership, a U.S. person that is a partner in the contributing partnership is treated as having transferred a proportionate share of the contributed property to the foreign partnership.

Category (3) also includes a U.S. person that previously contributed section 704(c) property and was required to report the contribution under section 6038B, if during the annual accounting period of the foreign partnership (or during the U.S. person's tax year if such partner is not a Category (1) or (2) filer) the foreign partnership disposed of such property while the U.S. person remained a partner in the partnership.

**Category (4) filer.** This includes a U.S. person who has a reportable event during the annual accounting period of the foreign partnership (or during the U.S. person's taxable year, if such partner is not a Category (1) or Category (2) filer). A reportable event is (1) a direct or indirect acquisition of at least a

10-percent interest in a foreign partnership, (2) a direct or indirect disposition of at least a 10-percent interest in a foreign partnership, or (3) a change in proportional interest in a foreign partnership that is equivalent to at least a 10-percent interest in the partnership. A reportable event does not include any acquisition of an interest in, or change in proportional interest in, a foreign partnership in a transfer also subject to the reporting requirements under section 6038B. Under certain circumstances, this category also includes a U.S. person who has a reportable event during that person's prior tax year. See Proposed Regulations sections 1.6038B-2(j)(1) and 1.6046A-1(b)(2)(ii) and (j)(2).

#### Exceptions To Filing

Under certain circumstances, one U.S. person may file Form 8865 and the applicable schedules in satisfaction of the requirements for other persons described within the **Categories of Filers**. The U.S. person that files the required information will be considered to furnish Form 8865 on behalf of the non-filer and should complete Item B on page 1 of the form. Circumstances in which a U.S. person will be excepted from filing a separate Form 8865 are:

- If more than one Category (1) filer controls a foreign partnership during the same annual accounting period, then in lieu of all such partners making separate returns, only one return from one of the controlling partners is required to be filed. This return cannot be made by a partner that controls by reason of an interest in losses or deductions if another U.S. person controls by reason of an interest in capital or profits; the latter must file the return. To take advantage of this exception, the filed return must contain all of the information that would have been required to be submitted if each U.S. person filed a separate Form 8865. For example, a separate Schedule H must be attached to the Form 8865 for each Category (1) filer. In any case, all Category (1) filers must still file a separate return with the appropriate schedules if they are otherwise required to file as Category (3) or Category (4) filers.

- A Category (1), (2), (3), or (4) filer does not have to file Form 8865 if the filer does not directly own any interest in the foreign partnership, is required to file the information return solely by reason of attribution of ownership from another U.S. person, and the U.S. person from whom the ownership interest is attributed files Form 8865.

## Filer Categories - Required Information

	Category (1)	Category (2)	Category (3)	Category (4)
Identifying information—(page 1 of Form 8865)	✓	✓	✓	✓
Schedule A—Partners of foreign partnership	✓			
Schedule B—Trade and business income	✓			
Schedules C-1 and C-2—Partners' shares of income, credits, deductions, etc.	✓			
Schedule D—Capital gains and losses	✓			
Schedules E-1 and E-2—Balance sheets	✓			
Schedules F-1 and F-2—Reconciliation of income per books with income per return and analysis of partners' capital accounts	✓			
Schedules G-1 and G-2—Partners' shares of income, credits, deductions, etc.	✓	✓		
Schedule H—Transactions between controlled foreign partnership and partners or other related entities	✓	✓		
Schedule I—Transfer of property to a foreign partnership			✓	
Schedule J—Acquisitions and dispositions of, and changes in interests in, a foreign partnership				✓

In order to be excepted from filing Form 8865, any person who does not file a return under the circumstances described on page 1, must be identified in Item B on page 1 of the form see instruction on page 3. In addition, each such excepted person must attach a statement to that person's income tax return that:

- Indicates that the filing requirement has been or will be satisfied;
- Identifies the person who filed or will file the return; and
- Identifies the IRS Service Center where the return was or will be filed.

### When and Where To File

Form 8865 and the applicable schedules are due when your income tax return is due, including extensions. File two copies of the form and required schedules. Attach one copy to your income tax return. Send the other copy to the Internal Revenue Service Center, Philadelphia, PA 19255.

**Private delivery services.** See the instructions for your income tax return for information on certain private delivery services designated by the IRS to meet the "timely mailing as timely filing" for tax returns.

**Caution:** *Private delivery services cannot deliver items to P.O. boxes. You must use the U.S. Postal Service to mail any item to an IRS P.O. box address.*

### Definitions

**Partnership.** A partnership includes all entities that are classified for Federal income tax purposes as a partnership. See Regulations sections 301.7701-2, and 301.7701-3 and **Form 8832**, Entity Classification Election, for more details. A partnership includes a limited partnership, syndicate, group, pool, joint venture, limited liability company, or other unincorporated organization, through or by means of which any business, financial operation, or venture is carried on, and which is not, within the meaning of Regulations sections 301.7701-2, 301.7701-3, and 301.7701-4, a trust, estate, corporation or sole proprietorship.

**Foreign Partnership.** A foreign partnership is a partnership that is not created or organized in the U.S. or under the law of the U.S. or any state.

**Partner.** A partner is a member of a partnership, syndicate, group, pool, joint venture, organization, limited liability company or other unincorporated organization.

**50-percent interest.** A 50-percent interest in a partnership is an interest equal to 50% of the capital interest, 50% of the profits interest, or an interest to which 50% of the deductions or losses are allocated. For purposes of determining a 50-percent interest, the attribution rules of section 267(c)(1) and (c)(5) apply, taking into account that such rules refer to corporations and not to partnerships.

Section 267(c)(1) generally provides that an interest owned directly or indirectly by or for a corporation, partnership, estate or trust should be considered as being owned proportionately by its owners and section 267(c)(5) provides a reattribution rule under certain circumstances.

The rules of section 267(c)(2) and (c)(4) (family attribution rules) also apply for purposes of determining a 50-percent interest, but only if the person to whom the interest is attributed owns, directly or indirectly (under the attribution rules of section 267(c)(1) or (5)), an interest in the partnership.

**Example.** A does not own a direct or indirect interest in foreign Partnership K. Although A's brother owns 80% of foreign Partnership K, A is not treated as owning a 50-percent interest.

**Example.** A owns 100% of a foreign corporation, which owns 20% of foreign Partnership K. A's brother owns 30% of foreign Partnership K. A is treated as owning a 50-percent interest in Partnership K, because A indirectly owns 20% of the partnership and constructively owns an additional 30%.

**10-percent interest.** A 10-percent interest in a partnership is an interest equal to 10% of the capital interest, 10% of the profits interest, or an interest to which 10% of the deductions or losses are allocated. For purposes of determining a 10-percent interest, the attribution rules described above with respect to a 50-percent interest apply.

**Control.** Control of a partnership is ownership directly, indirectly, or by attribution of more than a 50-percent interest in the partnership.

**Controlling partner.** A controlling partner is a U.S. person that has control of a partnership.

**Controlled foreign partnership.** A controlled foreign partnership is a foreign partnership controlled by U.S. persons owning at least 10-percent interests.

**U.S. person.** A U.S. person is a citizen or resident of the United States, a domestic partnership, a domestic corporation, and any estate or trust which is not described in section 7701(a)(31).

**Control of a corporation.** Control of a corporation is ownership of stock possessing more than 50% of the total combined voting power, or more than 50% of the total value of shares of all classes of stock of the corporation. For rules concerning indirect ownership and attribution, see Regulations section 1.6038-2(b) and (c).

## Penalties

### Failure to file information required by section 6038(a).

- A \$10,000 penalty is imposed for each annual accounting period of each foreign partnership for failure to furnish the required information within the time prescribed. If the information is not filed within 90 days after the IRS has mailed a notice of the failure to the U.S. person, an additional \$10,000 penalty (per foreign partnership) is charged for each 30-day period, or fraction thereof, during which the failure continues after the 90-day period has expired. The additional penalty is limited to a maximum of \$50,000 for each failure.

- Any person who fails to file or report all of the information required within the time prescribed will be subject to a reduction of 10% of the foreign taxes available for credit under sections 901, 902, and 960. If the failure continues for more than 90 days after the date the IRS mails of the failure, an additional 5% reduction is made for each 3-month period, or fraction thereof, during which the failure continues after the 90-day period has expired. See section 6038(c)(2) for limits on the amount of this penalty.

- Criminal penalties under sections 7203, 7206, and 7207 may apply for failure to file or for filing false or fraudulent information.

**Failure to file information required by section 6038B.** Any person who fails to properly report a contribution to a foreign partnership that is required to be reported under section 6038B and the regulations under that section (Form 8865, page 1 and Schedule I), is subject to a penalty equal to 10% of the fair market value of the property contributed. This penalty is subject to a \$100,000 limit under section 6038B(c)(3), unless the failure is due to intentional disregard. In addition, the transferor must recognize gain on the

contribution as if the contributed property had been sold for fair market value.

**Failure to file information required by section 6046A.** Any person who fails to file or report all of the information requested by section 6046A (Form 8865, page 1 and Schedule J) may be subject to a \$10,000 penalty for each failure for each reportable transaction. If the failure continues for more than 90 days after notice of the failure by the IRS, an additional \$10,000 penalty will apply for each 30-day period (or fraction thereof) during which the failure continues after, the 90-day period has expired. The additional penalty shall not exceed \$50,000.

**Important:** Any person required to file any information on Form 8865 and Schedules I and/or J, who agrees to have another person file the form on that person's behalf may be subject to the above penalties if the other person does not file a correct and proper form and schedule.

**Treaty-Based Return Positions.** U.S. persons that adopt a return position that any treaty of the United States (including, but not limited to, an income tax treaty, an estate and gift tax treaty, or a friendship, commerce, and navigation treaty) overrides or modifies any provision of the Internal Revenue Code and causes (or potentially causes) a reduction of any tax incurred at any time, generally must disclose that return position on Form 8833, Treaty-Based Return Position Disclosure Under Section 6114 or 7701(b).

Failure to make such a report may result in a \$1,000 penalty (\$10,000 in the case of a C corporation). See section 6712.

## Identification Numbers and Addresses

Use social security numbers or individual taxpayer identification numbers (TIN) to identify individuals. Use employer identification numbers (EIN) to identify estates, trusts, partnerships, and corporations.

Include the suite, room, or other unit number after the street address. If the Post Office does not deliver mail to the street address and the U.S. person has a P.O. box, show the box number instead of the street address.

**Foreign address.** Enter the information in the following order: city, province or state, and country. Follow the country's practice for entering the postal code, if any. Please do not abbreviate the country name.

## Specific Instructions

**Important:** Fill in all applicable lines and sections. All information reported must be in the English language. All amounts must be stated in U.S. dollars unless otherwise indicated. If the information required in a given section exceeds the space provided within that section, do not write "see

attached" in the section and do not attach all of the information on additional sheets.

Instead, complete all entry spaces in the section and attach the remaining information on additional sheets. The additional sheets must conform with the IRS version of that section.

## Identifying Information

**Note:** All persons required to file Form 8865 must complete this section.

## Annual Accounting Period

Enter in the space below the title of Form 8865 the annual accounting period of the foreign partnership for which you are furnishing information. The partnership's annual accounting period should be its tax year, as defined in section 706. Report information for the annual accounting period of the foreign partnership that ends with or within your tax year. However, if you are only required to file Schedule I or J (and the identifying information), report transactions that occurred during your tax year.

## Item A

### Categories of Filers

**Note:** See Categories of Filers on page 1. Indicate the categories that describe the person filing the form. If more than one category applies, check all boxes that apply.

## Item B

### Person(s) On Whose Behalf Form 8865 is Filed

If you are filing on behalf of another person who would otherwise have a reporting requirement (see Exceptions to Filing on page 1), you must identify each such person in Item B. List their names, addresses, identification numbers, and indicate their relationship to the foreign partnership.

## Item C

### Identification of Common Parent

If the filer is a member of a consolidated group, identify the common parent in Item C, listing its name, address and EIN.

## Item 1a

Check the box that applies to the partner filing this return.

## Item 1b

Enter the appropriate percentages. A filer's percentage interest should be determined by reference to the agreement of the partners relating to such interests. Attach a statement if further explanation is required.

## Item 1c

Enter your share of nonrecourse liabilities, partnership-level qualified nonrecourse financing, and other liabilities. Separately state nonrecourse liabilities that are held by an entity that is respected for foreign tax purposes, but disregarded as separate from the partnership for Federal tax purposes.

"Nonrecourse liabilities" are those liabilities of the partnership for which no partner bears the economic risk of loss. The extent to which a partner bears the economic risk is determined under the rules of Regulations section 1.752-2.

"Qualified nonrecourse financing" generally includes financing for which no one is personally liable for repayment that is borrowed for use in an activity of holding real property and that is lent or guaranteed by a federal, state or local government or that is borrowed from a qualified person. See section 465 for more information on qualified nonrecourse financing.

#### Items 1(d)

Enter the number of disregarded entities owned by the partnership during the partnership's annual accounting period. A disregarded entity is an entity that is disregarded as separate from its owner under Regulations section 301.7701-3(a). On an attached schedule, identify the country or countries in which each disregarded entity conducts operations. If, during the partnership's annual accounting period, an election was filed to treat any entity owned by the partnership as a disregarded entity, attach a copy of the Form 8832, on which the election was made.

#### Item 2(f) and 2(g)

Enter the applicable name and code number from the list beginning on page 10.

#### Item 2(h)

Enter the functional currency of the foreign partnership. If the filer had more than one qualified business unit (QBU), attach a statement identifying each QBU, its country of operation, and its functional currency.

#### Item 3(b)

If the foreign partnership was required to file Form 1065 for the taxable year, check the box and list the IRS Service Center where such form was or will be filed. Indicate whether the foreign partnership filed Forms 8804, 8805 and/or 1042.

### Schedule A Partners of Foreign Partnership

All Category (1) filers must complete Schedule A, listing all persons who owned at least a 10-percent interest in the foreign partnership during the partnership's annual accounting period.

### Schedule B Income Statement

All Category (1) filers must complete Schedule B, which requires an income statement prepared in the partnership's functional currency. Each item also must be expressed in U.S. dollars translated from the functional currency in accordance with section 989.

**Exception:** A partnership that would have hyperinflationary currency as its functional

currency is subject to special rules set forth in Regulations section 1.985-3. Under these rules, a partnership is determined to have the U.S. dollar as its functional currency. The partnership's hyperinflationary income statement is translated into U.S. dollars and adjusted for exchange gain or loss to correct distortions caused by hyperinflation.

A partnership subject to these rules should complete only the dollar column, using dollar amounts computed and adjusted in accordance with Regulations section 1.985-3.

Report only trade or business activity income for purposes of Schedule B. Do not report rental activity income, portfolio income, or tax-exempt income on these lines; they should be reported on Schedule C-1.

#### Line 1a—Gross Receipts or Sales.

Enter the gross receipts or sales from all trade or business operations except those that must be reported on lines 4 through 6.

**Line 2—Cost of Goods Sold.** See the regulations under section 471 for information on how to calculate cost of goods sold.

**Line 4—Ordinary Income (Loss) From Other Partnerships, Estates, and Trusts.** Enter the total amount of ordinary income or loss received from other partnerships, estates, and trusts. Attach a statement identifying the partnership's, estate's, or trust's name, address, and EIN (if any), the respective ownership interests held in each entity, and the ordinary income (loss) from each entity.

**Do not** include portfolio income or rental activity income (loss) from other partnerships, estates, or trusts on this line. Instead, report these amounts on the applicable lines of Schedule C-1. Ordinary income or loss from a publicly traded partnership is not reported on this line. Instead, report the amount separately on line 7 of Schedule C-1.

If there is a loss from another partnership, the amount of the loss that may be claimed is subject to the at-risk, basis, and dual consolidated loss limitations, as appropriate.

If the tax year of your partnership does not coincide with the tax year of the other partnership, estate, or trust, include the ordinary income (loss) from the other entity in the tax year in which the other entity's tax year ends.

**Line 5—Net Gain (Loss) From Form 4797.** Include only ordinary gains or losses from the sale, exchange, or involuntary conversion of assets used in a trade or business activity. Attach Form 4797 if required.

**Line 6—Other Income (Loss).** Enter on line 6 trade or business income (loss) that is not included on lines 1a through 5. Items to report include farm profit and loss. See Schedule F (Form 1040). Do not include items requiring separate computations that must be reported on

Schedule C-1, or portfolio or rental activity income (loss) on this line.

#### Deductions

**Caution:** Report *only* trade or business activity deductions on lines 8 through 16.

**Do not** report the following expenses on lines 8 through 16:

- Rental activity expenses.
- Deductions allocable to portfolio income.
- Nondeductible expenses (e.g., expenses connected with the production of tax-exempt income).
- Qualified expenditures to which an election under section 59(e) may apply.
- Items the partnership must state separately that require separate computations by the partners. Examples include expenses incurred for the production of income instead of in a trade or business, foreign taxes paid, intangible drilling and development costs, and exploration expenditures.

**Line 8—Salaries and Wages.** Enter on line 8 the salaries and wages paid or incurred for the tax year.

**Line 9—Guaranteed Payments to Partners.** Deduct payments or credits to a partner for services or for the use of capital if the payments or credits are determined without regard to partnership income and are allocable to a trade or business activity. Also include on line 9 amounts paid during the tax year for insurance that constitutes medical care for a partner, a partner's spouse, or a partner's dependents.

Do not include any payments and credits that should be capitalized or distributive shares of partnership profits.

**Line 10—Bad Debts.** Enter the total debts that became worthless in whole or in part during the year, but only to the extent such debts relate to a trade or business activity.

**Line 11—Rents and Royalties.** Enter rents and royalties paid on business property used in a trade or business activity. Do not deduct rent for a dwelling unit occupied by any partner for personal use.

**Line 12—Taxes and Licenses.** Enter taxes and licenses paid or incurred in the trade or business activities of the partnership if not reflected in cost of goods sold. Federal import duties and Federal excise taxes are deductible only if paid or incurred in carrying on the trade or business of the partnership.

**Do not** deduct the following taxes on line 12:

- Federal income taxes or taxes reported elsewhere on the return.
- Section 901 foreign taxes. Report these taxes separately on Schedules C-2 and G-2.

**Line 13—Interest.** Include only interest incurred in the trade or business activities of the partnership that is not claimed elsewhere on the return.

**Line 14—Depreciation.** On line 14a, enter **only** the depreciation claimed on assets used in a trade or business activity. Enter on line 14b the depreciation reported elsewhere on the return that is attributable to assets used in trade or business activities. Attach **Form 4562**, Depreciation and Amortization, if required.

Do not include any section 179 expense deduction on this line. This amount is not deducted by the partnership. Instead, it is passed through to the partners.

**Line 15—Depletion.** If the partnership claims a deduction for timber depletion, complete and attach **Form T**, Forest Activities Schedules, if required.

**Caution:** *Do not deduct depletion for oil and gas properties. Each partner figures depletion on oil and gas properties.*

**Line 16—Other Deductions.** Attach your own schedule, listing by type and amount, all allowable deductions related to a trade or business activity for which there is no separate line on Schedule B. Enter the total on this line. Do not include items that must be reported separately on Schedules C-1 and G-1. Items that must be reported on line 16 include deductions related to repairs and maintenance, retirement plans and employee benefit plans.

#### **Schedule C-1**

#### **Partners' Shares of Income, Credits, Deductions, Etc.**

All Category (1) filers must complete Schedule C-1. Lines 1 through 21 are the same for both Schedule C-1 and Schedule G-1 (see page 7). Schedule C-1 is a summary schedule of all of the partners' shares of the partnership income, credits, deductions, etc. Schedule G-1 is a summary schedule of a specific partner's share of the partnership income, credits, deductions, etc.

Although the partnership is not subject to income tax, the partners are liable for tax on their shares of the partnership income, whether or not distributed, and must include their shares on their tax returns. Allocations of income, gain, losses, deduction or credits among the partners generally should be made according to the partnership agreement. See also section 704 and the regulations thereunder.

See the instructions to Schedule B on page 4 regarding the reporting of amounts in functional currency and U.S. dollars.

**Line 1—Ordinary Income (Loss) from Trade or Business Activities.** Enter the amount from Schedule B, line 18. Enter the income or loss without reference to the basis of the partners' interests in the partnership, the partners' at-risk limitations or other determinations that should be made at the partner level. If the partnership has more than one trade or business activity, identify on an attachment to the schedule the amount from each separate activity.

**Line 2—Net Income (Loss) from Rental Real Estate Activities.** Report the net income or loss from rental real estate activities. Attach **Form 8825**, Rental Real Estate Income and Expenses of a Partnership or an S Corporation, if required. If the partnership has more than one rental real estate activity, identify on an attachment to Schedule C-1 the amount attributable to each activity.

**Line 3—Net Income (Loss) from Other Rental Activities.** Report net income or loss from rental activities other than real estate activities. Attach a schedule reporting gross income and expenses from such activities.

**Line 4—Portfolio Income (Loss).** Enter gross portfolio income (loss) on lines 4a through 4f. Generally, portfolio income includes all gross income, other than income derived in the ordinary course of a trade or business, that is attributable to interest, dividends, royalties, income from a real estate investment trust, income from the disposition of property that produces income of a type defined as portfolio income and income from the disposition of property held for investment.

**Lines 4a and b.** Enter only taxable interest and dividends on these lines.

**Lines 4d, 4e(1) and (2).** Enter on line 4d the gain (loss) from line 5 of Schedule D of Form 8865 plus any short-term capital gain or loss that is specially allocated to partners. Enter on line 4e(1) the gain (loss) from line 11 of Schedule D of Form 8865 plus any 28% rate gain (loss) that is specially allocated to partners. Enter on line 4e(2) the gain (loss) from line 12 of Schedule D of Form 8865 plus any long-term gain (loss) that is specially allocated to partners.

**Line 4f.** Report and identify other portfolio income or loss on an attachment for line 4f.

**Line 7—Other Income (Loss).** Use line 7 to report other items of income, gain or loss not included on lines 1 through 6. If the partnership has more than one activity, identify on an attachment the amount and the activity to which each amount relates. Items to report on line 7 include specially allocated ordinary gain (loss), any net gain or loss from section 1256 contracts, and any income, gain or loss to the partnership under section 751(b).

**Line 8—Charitable Contributions.** Report the total amount of charitable contributions made by the partnership on Schedule C-1. Report the partner's distributive share on Schedule G-1. Attach **Form 8283**, Noncash Charitable Contributions if required.

**Line 9—Section 179 Expense Deduction.** A partnership may elect to expense part of the cost of certain tangible property the partnership purchased this year for use in its trade or business or certain rental activities. See **Pub. 946**, How to Depreciate Property and **Form 4562** for more information on the type of property that qualifies for the

expense deduction and limitations on its amount.

**Line 10—Deductions Related to Portfolio Income.** Enter on line 10 and attach an itemized list of the deductions clearly and directly allocable to portfolio income other than interest expense (which should be considered investment interest expense and reported on line 14a) and section 212 expenses from a REMIC (which should be reported on an attachment for line 4f).

**Line 11—Other Deductions.** Use line 11 to report deductions not included on line 8, 9, or 10. On an attachment, identify the deduction and amount, and if the partnership has more than one activity, the activity to which the deduction relates.

**Line 12—Credits Related to Real Estate Activities.** Report the total credits related to real estate including the low-income housing credit, qualified rehabilitation expenditures related to rental real estate activities and other credits related to rental real estate activities. On the dotted line to the left of the entry space for line 12, identify the type of credit. If there is more than one type of credit, or if the credit is from more than one activity, report this information separately for each credit or activity as an attachment to Schedules C-1 and G-1.

**Line 13—Other Credits.** Report any other credit, except for credits on line 12 and foreign tax credits. On the dotted line to the left of the entry space for line 12, identify the type of credit. If there is more than one type of credit, or if the credit is from more than one activity, report this information separately for each credit or activity as an attachment to Schedules C-1 and G-1.

**Line 14—Investment Interest.**

**Line 14(a)—Interest expense on investment debts.** Include on this line interest paid or accrued on debt properly allocable to property held for investment. Property held for investment includes property that produces income (unless derived in the ordinary course of a trade or business) from interest, dividends, annuities or royalties; and gains from the disposition of property that produces those types of income or is held for investment. Investment interest does not include interest expense allocable to a passive activity.

**Lines 14b(1) and 14b(2)—Investment income and expenses.** Enter on line 14b(1) only the investment income included on lines 4a, 4b, 4c, and 4f of Schedule C-1. Enter on line 14b(2) only the investment expense included on line 10 of Schedule C-1.

If there are other items of investment income or expense included in the amounts that are required to be passed through separately to the partner on Schedule G-1, such as net short-term capital gain or loss, net long-term capital gain or loss and other portfolio gains and losses, these amounts should be identified on an attachment to Schedule G-1.

**Line 15—Adjustments and Tax Preference Items.** Enter items of income and deductions that are adjustments or tax preference items. See **Form 6251**, **Alternative Minimum Tax—Individuals**; **Form 4626**, **Alternative Minimum Tax—Corporations**; or **Schedule I of Form 1041**, **U.S. Income Tax Return for Estates and Trusts**, for more information.

**Line 19—Nondeductible Expenses.** Enter on line 19 nondeductible expenses paid or incurred by the partnership. Do not include separately stated deductions shown elsewhere on Schedule C-1, capital expenditures, or items the deduction for which is deferred to a later tax year.

**Line 20—Distributions of Money (Cash and Marketable Securities).** Enter on line 20 the total distributions of cash and marketable securities that are treated as money under section 731(c)(1). If an amount on line 20 includes marketable securities treated as money, separately state on an attachment to Schedule C-1, the partnership's adjusted basis of those securities immediately before the distribution and the fair market value of those securities on the date of distribution (excluding the distributee partner's share of the gain on the securities distributed to that partner).

**Line 22—Other Items Required to be Separately Reported.** Attach a schedule to report the partnership's total income, expenditures, or other information that is required to be separately reported to partners. Items to report include earnings from self-employment.

**Line 23—Dual Consolidated Loss.** Indicate whether the partnership incurred a loss that is a dual consolidated loss under section 1503(d). See Regulations section 1.1503-2 for more information on dual consolidated losses.

**Line 24—Separate Units.** Indicate whether the partnership owned any interest in a "separate unit." In general, a separate unit is (1) a foreign branch that is owned directly by a domestic corporation or indirectly by a domestic corporation through a partnership or trust interest, (2) an interest in a partnership, or (3) an interest in a trust. See Regulations section 1.1502-(c)(3) for more information on separate units. Attach a schedule identifying each separate unit owned, the type of separate unit, and its country of operation.

## **Schedule C-2 Partners' Shares of Foreign Tax Credit Items**

Lines 1 through 5 are the same for Schedule C-2 and Schedule G-2 (see page 7).

In general, all Category (1) filers must complete Schedule C-2. This schedule must be completed whether or not a partner is eligible for the foreign tax credit if the foreign partnership has foreign income, deductions or losses, or has paid or accrued foreign taxes. In addition to the instructions below, see **Form 1116**,

**Foreign Tax Credit—Individual, Estate, Trust or Nonresident Alien Individual, Form 1118, Foreign Tax Credit—Corporation**, and the related instructions for more information.

**Line 1—Gross income sourced at partner level.** Enter in column (d) the total gross income of the partnership that is required to be sourced at the partner level. For example, see section 865(i).

**Line 2—Gross income sourced at partnership level.** Report all gross income that is sourced at the partnership level on line 2. For purposes of this line, report the foreign-source gross income according to the separate limitation categories described in section 904(d). These limitation categories are:

- Passive income;
- High withholding tax interest;
- Financial services income;
- Shipping income;
- Dividends from each noncontrolled section 902 corporation;
- Dividends from a domestic international sales corporation (DISC) or a former DISC;
- Distributions from a foreign sales corporation (FSC) or a former FSC;
- Taxable income attributable to foreign trade income (within the meaning of section 923(b));
- Income from certain sanctioned countries (see section 901(j)(2)); and
- General limitation income (all other income from sources outside the U.S. including income from sources within U.S. possessions).

Separately report the gross amounts of foreign-source general limitation income, passive income and financial services income in columns (a), (b) and (c) respectively. If the partnership had U.S. source income, or foreign-source income from any of the other limitation categories, enter the total amount of such income in column (d). Attach a schedule reporting the gross amount of U.S. source income and detailing foreign-source income in each of the respective limitation categories.

## **Line 3—Deductions Allocated and Apportioned at Partner Level.**

**Line 3a.** In column (d) enter the total interest expense (including interest equivalents under Temporary Regulations section 1.861-9T(b)) other than interest specifically allocated and apportioned under Temporary Regulations section 1.861-10T.

**Line 3b.** In column (d) enter the total of all other deductions or losses that should be allocated and apportioned at the partner level. For example, see Regulations section 1.861-17(f).

## **Line 4—Deductions allocated and apportioned at partnership level.**

Report all deductions that are allocated and apportioned at the partnership level on line 4. For purposes of this line, report foreign-source deductions according to the separate limitation categories

described in section 904(d). See line 2 above for a description of the limitation categories.

Separately report deductions allocated and apportioned to the general limitation income, passive income and financial services income limitation categories in columns (a), (b), and (c) respectively. If the partnership incurred deductions allocated and apportioned to U.S. source income, or foreign-source income from any of the other limitation categories, enter the total amount of such deductions in column (d). Attach a schedule reporting the total amounts of deductions allocated and apportioned to U.S. source income and reporting the amount of the deductions in each of the respective limitation categories.

**Line 5—Creditable foreign taxes.** Enter in U.S. dollars the creditable foreign taxes (described in section 901 or section 903) that were paid or accrued by the partnership to foreign countries or U.S. possessions. Translate these amounts into U.S. dollars by using the rates specified in section 986. Taxes for which a credit is not allowed include:

- Certain taxes paid on distributions from possessions corporations (section 901(g));
- Taxes paid on foreign trade income (section 901(h));
- Certain taxes used to provide subsidies (section 901(i));
- Taxes denied due to the holding period requirement of section 901(k);
- Taxes paid or accrued to a foreign country or U.S. possession on taxable income that is taken into account in computing the possessions corporation tax credit described in section 936 or 30A (section 936(c));
- Taxes attributable to income excluded under section 814(a)(relating to contiguous country branches of domestic life insurance companies)(section 814(f));
- Certain taxes on foreign oil related income (section 907(b)); and
- Taxes not legally owed because of a reduced rate under a treaty.

Separately report taxes allocated and apportioned to the general limitation income, passive income, and financial services income limitation categories in columns (a), (b) and (c) respectively. If the partnership incurred taxes allocated and apportioned to U.S. source income, or foreign-source income from any of the other limitation categories, enter the total amount of such taxes in column (d). Attach a schedule reporting the total amount of taxes allocated and apportioned to U.S. source income and reporting the amount of the taxes in each of the respective limitation categories.

Attach a schedule that shows the dates the taxes were paid or accrued, the foreign country to whom the taxes were paid or accrued, the translation rates used, and the amounts in both foreign currency and U.S. dollars, as follows:

- Taxes withheld at source on interest.

- Taxes withheld at source on dividends.
- Taxes withheld at source on rents and royalties.
- Other foreign taxes paid or accrued.

In addition, attach a schedule that shows creditable taxes included on line 5 that are subject to reduction. Taxes subject to reduction include:

- Taxes on foreign mineral income (section 901(e)); and
- Taxes on foreign oil and gas extraction income (section 907(a)).

## Schedule D Capital Gains and Losses

All Category (1) filers must complete Schedule D. Use Schedule D to report sales or exchanges of capital assets, capital gain distributions and nonbusiness bad debts.

Do not report on Schedule D capital gains (losses) specially allocated to any partners. Enter capital gains (losses) of the partnership that are specially allocated to partners directly on line 4d, 4e(1), 4e(2), or 7 of Schedules C-1 and G-1, whichever applies.

Enter capital gains (losses) specially allocated to the partnership as a partner in other partnerships and from estates and trusts on Schedule D line 4 or 9, whichever applies.

## Schedule E-1 Balance Sheet

All Category (1) filers must complete Schedule E-1. Schedule E-1 requires a balance sheet prepared and translated into dollars in accordance with U.S. GAAP.

**Exception.** If the partnership or any qualified business unit of the partnership uses the United States dollar approximate separate transactions method (DASTM), Schedule E-1 should reflect the tax balance sheet prepared and translated into U.S. dollars according to Regulations section 1.985-3(d).

**Line 6—** A subsidiary is any corporation that is controlled by the partnership.

## Schedule E-2 Balance Sheet for Interest Allocation

In general, all Category (1) filers must complete Schedule E-2. Schedule E-2 should reflect the tax book values of the partnership's assets as described in Temporary Regulations sections 1.861-9T(g)(2) and 1.861-12T. Assets should be characterized as U.S. assets or foreign assets in one or more separate limitation categories as provided in Temporary Regulations sections 1.861-9T(g)(3) and 1.861-12T. The balance sheet should be prepared in the partnership's functional currency and translated into U.S. dollars in accordance with Temporary Regulations section 1.861-9T(g)(2)(ii).

**Exception:** If the partnership or any qualified business unit of the partnership uses DASTM, Schedule E-2 should reflect the tax balance sheet prepared and translated into U.S. dollars according to Temporary Regulations section 1.985-3T. See Temporary Regulations section 1.861-9T(g)(2)(ii)(A)(2) for more information on DASTM.

**Line 1—** Report total U.S. assets.

**Line 2—** Report total foreign assets according to the separate limitation categories described in section 904(d). (See the instructions to line 2 of Schedule C-2 for more information on the different limitation categories). To the extent assets should be classified by a limitation category not listed on Schedule E-2, report the totals in line 2c, and attach a statement detailing such information.

## Schedule F-1 Reconciliation of Income (Loss) per Books With Income (Loss) per Return

All Category (1) filers must complete Schedule F-1, which requires a statement prepared in the partnership's functional currency and in U.S. dollars.

**Line 3—Guaranteed Payments.** Include on this line guaranteed payments shown on Schedule C-1, line 5 (other than amounts paid for insurance that constitutes medical care for a partner, a partner's spouse, and a partner's dependents).

## Schedule F-2 Analysis of Partner's Capital Accounts

All Category (1) filers must complete Schedule F-2. Show what caused the changes in the partners' capital accounts as reflected on the partnership's books and records. All items must be reported in the partnership's functional currency and in U.S. dollars.

The partnership may, but is not required to, use the rules in Regulations section 1.704-1(b)(2)(iv) to determine the partners' capital accounts. If the beginning and ending capital accounts reported under these rules differ from the amounts reported on Schedule E-1, attach a statement reconciling any differences.

**Line 2—Capital Contributed During the Year.** Include on line 2 the amount of money and property contributed by each partner to the partnership as reflected on the partnership's books and records.

**Line 3—Net Income per Books.** Enter on line 3 the partnership's net income (loss) per books, from Schedule F-1, line 1.

**Line 6—Distributions.**

**Line 6a.** Enter the total amount of money distributed to each partner by the partnership.

**Line 6b.** Enter the total amount of property distributed to each partner by the partnership as reflected on the partnership's books and records.

## Schedule G-1 Summary of Partner's Income from Foreign Partnership

All Category (1) and (2) filers must complete Schedule G-1. In addition, each Category (1) filer is also required to attach a separate Schedule G-1 for each U.S. person who directly owns at least a 10-percent interest in the partnership. However, columns (a) through (e) must be completed by or on behalf of a controlling partner.

Lines 1 through 21 are the same for both Schedule C-1 and Schedule G-1, except G-1 should contain information about the partner's distributive share of the requested information. See instructions under Schedule C-1 for more information on completing this schedule. Provide the partner's year-end percentage interest in partnership profits, capital, losses and deductions. Attach a schedule describing in detail any special allocations to the partner.

**Line 23—Supplemental Information.** Enter on the line 23 (or on an attached schedule if more space is needed), each item that must be reported on this schedule in detail. Identify the applicable line number next to the information entered in the supplemental information space. Show income and gains as a positive number and losses in parentheses. Show any other information that may be needed to file an income tax return that is not shown anywhere else on this schedule.

Include information about the partner's share of gross income from each property, share of production for the tax year, etc., needed to figure the partner's depletion deduction for oil and gas wells. The partnership cannot deduct depletion on oil and gas wells and the partner must determine the allowable amount to report on his or her return. See **Pub. 535, Business Expenses**, for more information.

## Schedule G-2 Partners' Shares of Foreign Tax Credit

All Category (1) and (2) filers must complete Schedule G-2. In addition, each Category (1) filer also is required to attach a separate schedule G-2 for each U.S. partner who owns at least a 10-percent interest in the partnership.

Follow the instructions for Schedule C-2 in completing this schedule. This schedule must be completed whether or not a partner is eligible for the foreign tax credit if the foreign partnership has foreign income, deductions or losses or has paid or accrued foreign taxes.

## Schedule H Transactions Between Controlled Foreign Partnership and Partners or Other Related Entities

All Category (1) filers must complete Schedule H and report all transactions of the foreign partnership's annual accounting period ending with or within

the U.S. person's tax year. In addition, a separate schedule H should be completed for each controlling partner on whose behalf the return is being filed.

All Category (2) filers are required to complete items (a), (b), and (c), of Schedule H. Category (2) filers do not have to complete item (d).

**Column a.** Use column (a) to report transactions between the foreign partnership and the filer.

**Lines 6 and 16.** Report on these lines distributions received and paid by the foreign partnership.

**Lines 20 and 21.** Lines 20 and 21 request the largest outstanding balances during the year of gross amounts borrowed from, and gross amounts lent to, the related parties described in columns (a) through (d). Do not enter aggregate cash flows, year-end loan balances, average balances, or net balances. Do not include open account balances resulting from sales and purchases reported under other items listed on Schedule H that arise and are collected in full in the ordinary course of business.

## Schedule I Transfers of Property to a Foreign Partnership

Part II is used to report the transfer of property to a foreign partnership. Part III is used to report the subsequent transfer of certain items of such property by the partnership. Every U.S. person described in Category (4) must complete Schedule I.

**Part I.** List the name, address, and identification number (if any) of each partner in the partnership. If you only contribute cash (and no other property) to the partnership, and immediately after the transfer you own less than a 10-percent interest in the partnership, you are not required to complete Part I.

**Part II.** Provide the information required in columns (a) through (g) with respect to each contribution of property to a foreign partnership. If you contributed property with a fair market value in excess of your adjusted basis in the property (section 704(c) property), or intangible property, provide the information required in columns (a) through (g) separately with respect to each item of property transferred (except to the extent you are allowed to aggregate the property under Regulations section 1.704-3(e)(2), (3), and (4)). Provide a general description of each such item of property in the **Supplemental Information Required to be Reported** section. For all other property contributed, aggregate by the categories listed in Part II. See Regulations section 1.704-3(a)(3) for more information on the definition of section 704(c) property.

**Column (a).** Enter the date of the transfer. If the transfer was comprised of a series of transactions over multiple dates, enter the date the transfer was completed.

**Column (b).** Enter the number of items of property transferred.

**Column (c).** Enter the fair market value of the property contributed (measured as of the date of the transfer).

**Column (d).** Enter your adjusted basis in the property contributed on the date of the transfer. See sections 1011 through 1016 for more information on the determination of adjusted basis.

**Column (e).** If you contributed section 704(c) property, enter the method (traditional, traditional with curative allocations, or remedial) used by the partnership to make section 704(c) allocations with respect to each item of property. See Regulations section 1.704-3(b), (c), and (d) for more information on these allocation methods.

**Column (f).** Enter the amount of gain, if any, realized on the transfer. See sections 721(b) and 904(f)(3).

**Column (g).** Enter your percentage interest in the partnership immediately after the transfer. To the extent your percentage interest in the partnership differs among capital, profits, losses, or deductions, enter "See Below" and state the different percentages in the **Supplemental Information Required to be Reported** section.

**Supplemental information required to be reported.** Enter any information required to be reported in Part II in greater detail. Identify the applicable column number next to the information entered in this section. In addition, if you contributed property to a foreign partnership as part of a wider transaction, briefly describe the entire transaction.

**Part III.** Part III is used to report the disposition by a foreign partnership of section 704(c) property previously contributed by you, enter the information required in Part III. If the partnership disposes of the property in a nonrecognition transaction and receives in exchange substituted basis property with built-in gain, you must also report the disposition of the substituted basis property in the same manner as provided for the contributed property. See section 7701(a)(42) for the definition of substituted basis property and Regulations section 1.704-3(a)(8) for more information.

**Column (a).** Provide a brief description of the property disposed of by the partnership. If you are reporting the disposition of substituted basis property received by the partnership in a nonrecognition transaction in exchange for section 704(c) property previously contributed by you, enter "See Attached" and attach a schedule providing brief descriptions of both the section 704(c) property contributed by you to the partnership and the substituted basis property received by the partnership in

exchange for the section 704(c) property. See Proposed Regulations section 1.6038B-2(a)(2)(ii).

**Column (b).** Enter the date that you transferred this property to the partnership. If you are reporting the disposition of substituted basis property received by the partnership in a nonrecognition transaction in exchange for section 704(c) property previously contributed by you, enter "See Attached" and attach a schedule showing both the date you transferred the section 704(c) property to the partnership and the date the partnership exchanged the section 704(c) property for substituted basis property in a nonrecognition transaction. See Proposed Regulations section 1.6038B-2(a)(2)(ii).

**Column (c).** Enter the date that the partnership disposed of the property.

**Column (d).** Briefly describe how the partnership disposed of the property (for example, by sale or exchange).

**Column (e).** Enter the amount of gain, if any, recognized by the partnership on the disposition of property.

**Column (f).** Enter the amount of depreciation recapture, if any, recognized by the partnership on the disposition of property. See Regulations section 1.1245-1(e) and 1.1250-1(f).

**Column (g).** Enter the amount of gain from column e allocated to you.

**Column (h).** Enter the amount of depreciation recapture from column (f) allocated to you. See Regulations sections 1.1245-1(e) and 1.1250-1(f). If you recognize any section 1254 recapture on the partnership's disposition of property, enter "See Attached" and attach a schedule calculating the amount of recapture. See Regulations section 1.1254-5.

**Part IV.** If gain recognition was required with respect to any transfer reported in Part II under section 904(f)(3) and (f)(5)(F), attach a schedule identifying the transfer and the amount of gain recognized.

## Schedule J Acquisitions and Dispositions of, and Changes in, Interests in a Foreign Partnership

Schedule J is used to report the acquisition or disposition of, or change in, an interest in a foreign partnership. Every U.S. person described in Category (4) must complete Schedule J.

**Note:** The disposition of an interest in a foreign partnership may constitute a triggering event for dual consolidated losses under Regulations section 1.1503-2(g)(2)(iii). See Regulations section 1.1503-2 for more information regarding dual consolidated losses.

**Part I** Part I is completed by U.S. persons who must report transactions because they acquired at least a 10-percent interest in a foreign partnership. In the case of an indirect acquisition of a 10-percent interest (for example, an

acquisition of a 10-percent interest by a foreign corporation wholly owned by a U.S. person), provide details of the transaction in Part IV, including the identity of the direct transferee.

**Column (a).** Enter the name, address, and identifying number (if any), of the person from whom you acquired the interest in the partnership.

**Column (b).** Enter the date of the acquisition. If the acquisition was comprised of a series of transactions over multiple dates, enter the date the acquisition was completed.

**Column (c).** Enter the fair market value of the interest you acquired in the partnership (measured as of the date of acquisition).

**Column (d).** Enter your basis in the interest in the partnership that you acquired (measured as of the date of acquisition). See sections 722 and 742.

**Columns (e) and (f).** Enter your percentage interest in the partnership both before and immediately after the acquisition. To the extent your percentage interest in the partnership differs among capital, profits, losses, or deductions, enter "See Below" and state the different percentages in Part IV.

**Part II.** This section is completed by partners who must report transactions because they disposed of at least a 10-percent interest in a foreign partnership. Indicate in Part IV whether a statement required by Regulations section 1.751-1(a)(3) was filed with respect to the disposition.

**Column (a).** Enter the name, address, and identifying number (if any), of the person to whom you disposed of the interest in the foreign partnership.

**Column (b).** Enter the date of the disposition. If the disposition was comprised of a series of transactions over multiple dates, enter the date the disposition was completed.

**Column (c).** Enter the FMV the interest you disposed of in the partnership (measured as of the date of disposition). If you recognized gain or loss on the disposition, state the amount of gain or loss in Part IV. See section 741.

**Column (d).** Enter your adjusted basis in the interest in the partnership that you disposed of (measured immediately before the disposition). See section 705.

**Columns (e) and (f).** Enter your percentage interest in the partnership both before and immediately after the disposition. To the extent your percentage interest in the partnership differs among capital, profits, losses, or deductions, enter "See Below" and state the different percentages in Part IV.

**Part III.** This section is completed by partners who must report a change in their proportional interest in a foreign partnership because it is equivalent to at least a 10-percent change.

**Column (a).** Briefly describe the event that caused your interest in the partnership to change (for example, the admission of a new partner), and provide any additional information about the event in Part IV. In the case of a change in an interest held indirectly, provide the identity of the direct partner.

**Column (b).** Enter the date of the change. If the change resulted from a series of transactions over multiple dates, enter the date the change was completed.

**Column (c).** Enter the FMV of your interest in the partnership (measured as of the date of change).

**Column (d).** Enter the adjusted basis of your interest in the partnership (measured as of the date of change). See section 705.

**Columns (e) and (f).** Enter your percentage interest in the partnership both before and immediately after the change. To the extent your percentage

interest in the partnership differs among capital, profits, losses, or deductions, enter "See Below" and state the different percentages in Part IV.

**Part IV.** Part IV must be completed by all Category (4) filers. Enter any information asked for in Part I, Part II, or Part III that must be reported in detail. Identify the applicable Part number and column next to the information entered in Part IV.

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## Codes for Principal Business Activity and Principal Product or Service

This list of Principal Business Activities and their associated codes is designed to classify an enterprise by the type of activity in which it is engaged to facilitate the administration of the Internal Revenue Code. For tax years beginning after 1997, these Principal Business Activity Codes are based on the North American Industry Classification System.

Using the list of activities and codes below, determine from which activity the business derives the largest percentage of its "total receipts." Total receipts is defined as the sum of gross receipts or sales (Schedule B, line 1a), all other income (Schedule B, lines 4 through 6), and income (receipts only) reflected on Schedule C-1, lines 2, 3, and 4a through 4f. If the business purchases raw materials and supplies

them to a subcontractor to produce the finished product, but retains title to the product, the business is considered a manufacturer and must use one of the manufacturing codes (311110-339900).

Once the Principal Business Activity is determined, enter the six-digit code from the list below on page 1, item 2f. Also enter a brief description of the business activity in item 2g.

Agriculture, Forestry, Fishing and Hunting		Code		Code		Code	
<b>Code</b>		<b>Heavy Construction</b>		<b>Other Wood Product Mfg</b>		<b>Machinery Manufacturing</b>	
<b>Crop Production</b>		234100 Highway, Street, Bridge, & Tunnel Construction		<b>Paper Manufacturing</b>		333100 Agriculture, Construction, & Mining Machinery Mfg	
111100	Oilseed & Grain Farming	234900 Other Heavy Construction		322100	Pulp, Paper, & Paperboard Mills	333200	Industrial Machinery Mfg
111210	Vegetable & Melon Farming (including potatoes & yams)	<b>Special Trade Contractors</b>		322200 Converted Paper Product Mfg		333310	Commercial & Service Industry Machinery Mfg
111300	Fruit & Tree Nut Farming	235110 Plumbing, Heating, & Air-Conditioning Contractors		<b>Printing and Related Support Activities</b>		333410	Ventilation, Heating, Air-Conditioning, & Commercial Refrigeration Equipment Mfg
111400	Greenhouse, Nursery, & Floriculture Production	235210 Painting & Wall Covering Contractors		323100 Printing & Related Support Activities		333510	Metalworking Machinery Mfg
111900	Other Crop Farming (including tobacco, cotton, sugarcane, hay, peanut, sugar beet & all other crop farming)	235310 Electrical Contractors		<b>Petroleum and Coal Products Manufacturing</b>		333610	Engine, Turbine & Power Transmission Equipment Mfg
<b>Animal Production</b>		235400 Masonry, Drywall, Insulation, & Tile Contractors		324110 Petroleum Refineries (including integrated)		333900	Other General Purpose Machinery Mfg
112111	Beef Cattle Ranching & Farming	235500 Carpentry & Floor Contractors		324120 Asphalt Paving, Roofing, & Saturated Materials Mfg		<b>Computer and Electronic Product Manufacturing</b>	
112112	Cattle Feedlots	235610 Roofing, Siding, & Sheet Metal Contractors		324190 Other Petroleum & Coal Products Mfg		334110	Computer & Peripheral Equipment Mfg
112120	Dairy Cattle & Milk Production	235710 Concrete Contractors		<b>Chemical Manufacturing</b>		334200	Communications Equipment Mfg
112210	Hog & Pig Farming	235810 Water Well Drilling Contractors		325100 Basic Chemical Mfg		334310	Audio & Video Equipment Mfg
112300	Poultry & Egg Production	235900 Other Special Trade Contractors		325200 Resin, Synthetic Rubber, & Artificial & Synthetic Fibers & Filaments Mfg		334410	Semiconductor & Other Electronic Component Mfg
112400	Sheep & Goat Farming	<b>Manufacturing</b>		325300 Pesticide, Fertilizer, & Other Agricultural Chemical Mfg		334500	Navigational, Measuring, Electromedical, & Control Instruments Mfg
112510	Animal Aquaculture (including shellfish & finfish farms & hatcheries)	<b>Food Manufacturing</b>		325410 Pharmaceutical & Medicine Mfg		334610	Manufacturing & Reproducing Magnetic & Optical Media
112900	Other Animal Production	311110 Animal Food Mfg		325500 Paint, Coating, & Adhesive Mfg		<b>Electrical Equipment, Appliance, and Component Manufacturing</b>	
<b>Forestry and Logging</b>		311200 Grain & Oilseed Milling		325600 Soap, Cleaning Compound, & Toilet Preparation Mfg		335100	Electric Lighting Equipment Mfg
113110	Timber Tract Operations	311300 Sugar & Confectionery Product Mfg		325900 Other Chemical Product & Preparation Mfg		335200	Household Appliance Mfg
113210	Forest Nurseries & Gathering of Forest Products	311400 Fruit & Vegetable Preserving & Specialty Food Mfg		<b>Plastics and Rubber Products Manufacturing</b>		335310	Electrical Equipment Mfg
113310	Logging	311500 Dairy Product Mfg		326100 Plastics Product Mfg		335900	Other Electrical Equipment & Component Mfg
<b>Fishing, Hunting and Trapping</b>		311610 Animal Slaughtering & Processing		326200 Rubber Product Mfg		<b>Transportation Equipment Manufacturing</b>	
114110	Fishing	311710 Seafood Product Preparation & Packaging		<b>Nonmetallic Mineral Product Manufacturing</b>		336100	Motor Vehicle Mfg
114210	Hunting & Trapping	311800 Bakeries & Tortilla Mfg		327100 Clay Product & Refractory Mfg		336210	Motor Vehicle Body & Trailer Mfg
<b>Support Activities for Agriculture and Forestry</b>		311900 Other Food Mfg (including coffee, tea, flavorings & seasonings)		327210 Glass & Glass Product Mfg		336300	Motor Vehicle Parts Mfg
115110	Support Activities for Crop Production (including cotton ginning, soil preparation, planting, & cultivating)	<b>Beverage and Tobacco Product Manufacturing</b>		327300 Cement & Concrete Product Mfg		336410	Aerospace Product & Parts Mfg
115210	Support Activities for Animal Production	312110 Soft Drink & Ice Mfg		327400 Lime & Gypsum Product Mfg		336510	Railroad Rolling Stock Mfg
115310	Support Activities For Forestry	312120 Breweries		327900 Other Nonmetallic Mineral Product Mfg		336610	Ship & Boat Building
<b>Mining</b>		312130 Wineries		<b>Primary Metal Manufacturing</b>		336990	Other Transportation Equipment Mfg
211110	Oil & Gas Extraction	312140 Distilleries		331110 Iron & Steel Mills & Ferroalloy Mfg		<b>Furniture and Related Product Manufacturing</b>	
212110	Coal Mining	312200 Tobacco Manufacturing		331200 Steel Product Mfg from Purchased Steel		337000	Furniture & Related Product Manufacturing
212200	Metal Ore Mining	<b>Textile Mills and Textile Product Mills</b>		331310 Alumina & Aluminum Production & Processing		<b>Miscellaneous Manufacturing</b>	
212310	Stone Mining & Quarrying	313000 Textile Mills		331400 Nonferrous Metal (except Aluminum) Production & Processing		339110	Medical Equipment & Supplies Mfg
212320	Sand, Gravel, Clay, & Ceramic & Refractory Minerals Mining & Quarrying	314000 Textile Product Mills		331500 Foundries		339900	Other Miscellaneous Manufacturing
212390	Other Nonmetallic Mineral Mining & Quarrying	<b>Apparel Manufacturing</b>		<b>Fabricated Metal Product Manufacturing</b>		<b>Wholesale Trade</b>	
213110	Support Activities for Mining	315100 Apparel Knitting Mills		332110 Forging & Stamping		<b>Wholesale Trade, Durable Goods</b>	
<b>Utilities</b>		315210 Cut & Sew Apparel Contractors		332210 Cutlery & Handtool Mfg		421100	Motor Vehicle & Motor Vehicle Parts & Supplies Wholesalers
221100	Electric Power Generation, Transmission & Distribution	315220 Men's & Boys' Cut & Sew Apparel Mfg		332300 Architectural & Structural Metals Mfg		421200	Furniture & Home Furnishing Wholesalers
221210	Natural Gas Distribution	315230 Women's & Girls' Cut & Sew Apparel Mfg		332400 Boiler, Tank, & Shipping Container Mfg		421300	Lumber & Other Construction Materials Wholesalers
221300	Water, Sewage & Other Systems	315290 Other Cut & Sew Apparel Mfg		332510 Hardware Mfg		421400	Professional & Commercial Equipment & Supplies Wholesalers
<b>Construction</b>		315990 Apparel Accessories & Other Apparel Mfg		332610 Spring & Wire Product Mfg		421500	Metal & Mineral (except Petroleum) Wholesalers
<b>Building, Developing, and General Contracting</b>		<b>Leather and Allied Product Manufacturing</b>		332700 Machine Shops; Turned Product; & Screw, Nut, & Bolt Mfg		421600	Electrical Goods Wholesalers
233110	Land Subdivision & Land Development	316110 Leather & Hide Tanning & Finishing		332810 Coating, Engraving, Heat Treating, & Allied Activities			
233200	Residential Building Construction	316210 Footwear Mfg (including rubber & plastics)		332900 Other Fabricated Metal Product Mfg			
233300	Nonresidential Building Construction	316990 Other Leather & Allied Product Mfg					
		<b>Wood Product Manufacturing</b>					
		321110 Sawmills & Wood Preservation					
		321210 Veneer, Plywood, & Engineered Wood Product Mfg					

Code	Code	Code	Code
<b>Wholesale Trade, Nondurable Goods</b>	<b>Clothing and Clothing Accessories Stores</b>	<b>Support Activities for Transportation</b>	<b>Securities &amp; Commodity Exchanges</b>
422100 Paper & Paper Product Wholesalers	448110 Men's Clothing Stores	488100 Support Activities for Air Transportation	523210 Other Financial Investment Activities (including portfolio management & investment advice)
422210 Drugs & Druggists' Sundries Wholesalers	448120 Women's Clothing Stores	488210 Support Activities for Rail Transportation	<b>Insurance Carriers and Related Activities</b>
422300 Apparel, Piece Goods, & Notions Wholesalers	448130 Children's & Infants' Clothing Stores	488300 Support Activities for Water Transportation	524140 Direct Life, Health, & Medical Insurance & Reinsurance Carriers
422400 Grocery & Related Product Wholesalers	448140 Family Clothing Stores	488410 Motor Vehicle Towing	524150 Direct Insurance & Reinsurance (except Life, Health & Medical) Carriers
422500 Farm Product Raw Material Wholesalers	448150 Clothing Accessories Stores	488490 Other Support Activities for Road Transportation	524210 Insurance Agencies & Brokerages
422600 Chemical & Allied Products Wholesalers	448190 Other Clothing Stores	488510 Freight Transportation Arrangement	524290 Other Insurance Related Activities
422700 Petroleum & Petroleum Products Wholesalers	448210 Shoe Stores	488990 Other Support Activities for Transportation	<b>Funds, Trusts, and Other Financial Vehicles</b>
422800 Beer, Wine, & Distilled Alcoholic Beverage Wholesalers	448310 Jewelry Stores	<b>Couriers and Messengers</b>	525100 Insurance & Employee Benefit Funds
422910 Farm Supplies Wholesalers	448320 Luggage & Leather Goods Stores	492110 Couriers	525910 Open-End Investment Funds (Form 1120-RIC)
422920 Book, Periodical, & Newspaper Wholesalers	<b>Sporting Goods, Hobby, Book, and Music Stores</b>	492210 Local Messengers & Local Delivery	525920 Trusts, Estates, & Agency Accounts
422930 Flower, Nursery Stock, & Florists' Supplies Wholesalers	451110 Sporting Goods Stores	<b>Warehousing and Storage</b>	525930 Real Estate Investment Trusts (Form 1120-REIT)
422940 Tobacco & Tobacco Product Wholesalers	451120 Hobby, Toy, & Game Stores	493100 Warehousing & Storage (except lessors of miniwarehouses & self-storage units)	525990 Other Financial Vehicles
422950 Paint, Varnish, & Supplies Wholesalers	451130 Sewing, Needlework, & Piece Goods Stores	<b>Information</b>	<b>Real Estate and Rental and Leasing</b>
422990 Other Miscellaneous Nondurable Goods Wholesalers	451140 Musical Instrument & Supplies Stores	<b>Publishing Industries</b>	<b>Real Estate</b>
<b>Retail Trade</b>	451211 Book Stores	511110 Newspaper Publishers	531110 Lessors of Residential Buildings & Dwellings
<b>Motor Vehicle and Parts Dealers</b>	451212 News Dealers & Newsstands	511120 Periodical Publishers	531120 Lessors of Nonresidential Buildings (except Miniwarehouses)
441110 New Car Dealers	451220 Precorded Tape, Compact Disc, & Record Stores	511130 Book Publishers	531130 Lessors of Miniwarehouses & Self-Storage Units
441120 Used Car Dealers	<b>General Merchandise Stores</b>	511140 Database & Directory Publishers	531190 Lessors of Other Real Estate Property
441210 Recreational Vehicle Dealers	452110 Department stores	511190 Other Publishers	531210 Offices of Real Estate Agents & Brokers
441221 Motorcycle Dealers	452900 Other General Merchandise Stores	511210 Software Publishers	531310 Real Estate Property Managers
441222 Boat Dealers	<b>Miscellaneous Store Retailers</b>	<b>Motion Picture and Sound Recording Industries</b>	531320 Offices of Real Estate Appraisers
441229 All Other Motor Vehicle Dealers	453110 Florists	512100 Motion Picture & Video Industries (except video rental)	531390 Other Activities Related to Real Estate
441300 Automotive Parts, Accessories, & Tire Stores	453210 Office Supplies & Stationery Stores	512200 Sound Recording Industries	<b>Rental and Leasing Services</b>
<b>Furniture and Home Furnishings Stores</b>	453220 Gift, Novelty, & Souvenir Stores	<b>Broadcasting and Telecommunications</b>	532100 Automotive Equipment Rental & Leasing
442110 Furniture Stores	453310 Used Merchandise Stores	513100 Radio & Television Broadcasting	532210 Consumer Electronics & Appliances Rental
442210 Floor Covering Stores	453910 Pet & Pet Supplies Stores	513200 Cable Networks & Program Distribution	532220 Formal Wear & Costume Rental
442291 Window Treatment Stores	453920 Art Dealers	513300 Telecommunications (including paging, cellular, satellite, & other telecommunications)	532230 Video Tape & Disc Rental
442299 All Other Home Furnishings Stores	453930 Manufactured (Mobile) Home Dealers	<b>Information Services and Data Processing Services</b>	532290 Other Consumer Goods Rental
<b>Electronics and Appliance Stores</b>	453990 All Other Miscellaneous Store Retailers (including tobacco, candle, & trophy shops)	514100 Information Services (including news syndicates, libraries, & on-line information services)	532310 General Rental Centers
443111 Household Appliance Stores	<b>Nonstore Retailers</b>	514210 Data Processing Services	532400 Commercial & Industrial Machinery & Equipment Rental & Leasing
443112 Radio, Television, & Other Electronics Stores	454110 Electronic Shopping & Mail-Order Houses	<b>Finance and Insurance</b>	<b>Lessors of Nonfinancial Intangible Assets (except copyrighted works)</b>
443120 Computer & Software Stores	454210 Vending Machine Operators	<b>Depository Credit Intermediation</b>	533110 Lessors of Nonfinancial Intangible Assets (except copyrighted works)
443130 Camera & Photographic Supplies Stores	454311 Heating Oil Dealers	522110 Commercial Banking	<b>Professional, Scientific, and Technical Services</b>
<b>Building Material and Garden Equipment and Supplies Dealers</b>	454312 Liquefied Petroleum Gas (Bottled Gas) Dealers	522120 Savings Institutions	<b>Legal Services</b>
444110 Home Centers	454319 Other Fuel Dealers	522130 Credit Unions	541110 Offices of Lawyers
444120 Paint & Wallpaper Stores	454390 Other Direct Selling Establishments (including door-to-door retailing, frozen food plan providers, party plan merchandisers, & coffee-break service providers)	522190 Other Depository Credit Intermediation	541190 Other Legal Services
444130 Hardware Stores	<b>Transportation and Warehousing</b>	<b>Nondepository Credit Intermediation</b>	<b>Accounting, Tax Preparation, Bookkeeping, and Payroll Services</b>
444190 Other Building Material Dealers	<b>Air, Rail, and Water Transportation</b>	522210 Credit Card Issuing	541211 Offices of Certified Public Accountants
444200 Lawn & Garden Equipment & Supplies Stores	481000 Air Transportation	522220 Sales Financing	541213 Tax Preparation Services
<b>Food and Beverage Stores</b>	482110 Rail Transportation	522291 Consumer Lending	541214 Payroll Services
445110 Supermarkets and Other Grocery (except Convenience) Stores	483000 Water Transportation	522292 Real Estate Credit (including mortgage bankers & originators)	541219 Other Accounting Services
445120 Convenience Stores	<b>Truck Transportation</b>	522293 International Trade Financing	<b>Architectural, Engineering, and Related Services</b>
445210 Meat Markets	484110 General Freight Trucking, Local	522294 Secondary Market Financing	541310 Architectural Services
445220 Fish & Seafood Markets	484120 General Freight Trucking, Long-distance	522298 All Other Nondepository Credit Intermediation	541320 Landscape Architecture Services
445230 Fruit & Vegetable Markets	484200 Specialized Freight Trucking	<b>Activities Related to Credit Intermediation</b>	541330 Engineering Services
445291 Baked Goods Stores	<b>Transit and Ground Passenger Transportation</b>	522300 Activities Related to Credit Intermediation (including loan brokers)	541340 Drafting Services
445292 Confectionery & Nut Stores	485110 Urban Transit Systems	<b>Securities, Commodity Contracts, and Other Financial Investments and Related Activities</b>	541350 Building Inspection Services
445299 All Other Specialty Food Stores	485210 Interurban & Rural Bus Transportation	523110 Investment Banking & Securities Dealing	
445310 Beer, Wine, & Liquor Stores	485310 Taxi Service	523120 Securities Brokerage	
<b>Health and Personal Care Stores</b>	485320 Limousine Service	523130 Commodity Contracts Dealing	
446110 Pharmacies & Drug Stores	485410 School & Employee Bus Transportation	523140 Commodity Contracts Brokerage	
446120 Cosmetics, Beauty Supplies, & Perfume Stores	485510 Charter Bus Industry		
446130 Optical Goods Stores	485990 Other Transit & Ground Passenger Transportation		
446190 Other Health & Personal Care Stores	<b>Pipeline Transportation</b>		
<b>Gasoline Stations</b>	486000 Pipeline Transportation		
447100 Gasoline Stations (including convenience stores with gas)	<b>Scenic &amp; Sightseeing Transportation</b>		
	487000 Scenic & Sightseeing Transportation		

**Code**  
541360 Geophysical Surveying & Mapping Services  
541370 Surveying & Mapping (except Geophysical) Services  
541380 Testing Laboratories  
**Specialized Design Services**  
541400 Specialized Design Services (including interior, industrial, graphic, & fashion design)  
**Computer Systems Design and Related Services**  
541511 Custom Computer Programming Services  
541512 Computer Systems Design Services  
541513 Computer Facilities Management Services  
541519 Other Computer Related Services  
**Other Professional, Scientific, and Technical Services**  
541600 Management, Scientific, & Technical Consulting Services  
541700 Scientific Research & Development Services  
541800 Advertising & Related Services  
541910 Marketing Research & Public Opinion Polling  
541920 Photographic Services  
541930 Translation & Interpretation Services  
541940 Veterinary Services  
541990 All Other Professional, Scientific, & Technical Services

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**Management of Companies (Holding Companies)**  
551111 Offices of Bank Holding Companies  
551112 Offices of Other Holding Companies

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**Administrative and Support and Waste Management and Remediation Services**  
**Administrative and Support Services**  
561110 Office Administrative Services  
561210 Facilities Support Services  
561300 Employment Services  
561410 Document Preparation Services  
561420 Telephone Call Centers  
561430 Business Service Centers (including private mail centers & copy shops)  
561440 Collection Agencies  
561450 Credit Bureaus  
561490 Other Business Support Services (including repossession services, court reporting, & stenotype services)

**Code**  
561500 Travel Arrangement & Reservation Services  
561600 Investigation & Security Services  
561710 Exterminating & Pest Control Services  
561720 Janitorial Services  
561730 Landscaping Services  
561740 Carpet & Upholstery Cleaning Services  
561790 Other Services to Buildings & Dwellings  
561900 Other Support Services (including packaging & labeling services, & convention & trade show organizers)  
**Waste Management and Remediation Services**  
562000 Waste Management & Remediation Services

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**Educational Services**  
611000 Educational Services (including schools, colleges, & universities)

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**Health Care and Social Assistance**  
**Offices of Physicians and Dentists**  
621111 Offices of Physicians (except mental health specialists)  
621112 Offices of Physicians, Mental Health Specialists  
621210 Offices of Dentists  
**Offices of Other Health Practitioners**  
621310 Offices of Chiropractors  
621320 Offices of Optometrists  
621330 Offices of Mental Health Practitioners (except Physicians)  
621340 Offices of Physical, Occupational & Speech Therapists, & Audiologists  
621391 Offices of Podiatrists  
621399 Offices of All Other Miscellaneous Health Practitioners

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**Outpatient Care Centers**  
621410 Family Planning Centers  
621420 Outpatient Mental Health & Substance Abuse Centers  
621491 HMO Medical Centers  
621492 Kidney Dialysis Centers  
621493 Freestanding Ambulatory Surgical & Emergency Centers  
621498 All Other Outpatient Care Centers

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**Medical and Diagnostic Laboratories**  
621510 Medical & Diagnostic Laboratories

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**Home Health Care Services**  
621610 Home Health Care Services

**Code**  
**Other Ambulatory Health Care Services**  
621900 Other Ambulatory Health Care Services (including ambulance services & blood & organ banks)  
**Hospitals**  
622000 Hospitals  
**Nursing and Residential Care Facilities**  
623000 Nursing & Residential Care Facilities  
**Social Assistance**  
624100 Individual & Family Services  
624200 Community Food & Housing, & Emergency & Other Relief Services  
624310 Vocational Rehabilitation Services  
624410 Child Day Care Services

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**Arts, Entertainment, and Recreation**  
**Performing Arts, Spectator Sports, and Related Industries**  
711100 Performing Arts Companies  
711210 Spectator Sports (including sports clubs & racetracks)  
711300 Promoters of Performing Arts, Sports, & Similar Events  
711410 Agents & Managers for Artists, Athletes, Entertainers, & Other Public Figures  
711510 Independent Artists, Writers, & Performers  
**Museums, Historical Sites, and Similar Institutions**  
712100 Museums, Historical Sites, & Similar Institutions  
**Amusement, Gambling, and Recreation Industries**  
713100 Amusement Parks & Arcades  
713200 Gambling Industries  
713900 Other Amusement & Recreation Industries (including golf courses, skiing facilities, marinas, fitness centers, & bowling centers)

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**Accommodation and Food Services**  
**Accommodation**  
721110 Hotels (except casino hotels) & Motels  
721120 Casino Hotels  
721191 Bed & Breakfast Inns  
721199 All Other Traveler Accommodation  
721210 RV (Recreational Vehicle) Parks & Recreational Camps  
721310 Rooming & Boarding Houses

**Code**  
**Food Services and Drinking Places**  
722110 Full-Service Restaurants  
722210 Limited-Service Eating Places  
722300 Special Food Services (including food service contractors & caterers)  
722410 Drinking Places (Alcoholic Beverages)

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**Other Services**  
**Repair and Maintenance**  
811110 Automotive Mechanical & Electrical Repair & Maintenance  
811120 Automotive Body, Paint, Interior, & Glass Repair  
811190 Other Automotive Repair & Maintenance (including oil change & lubrication shops & car washes)  
811210 Electronic & Precision Equipment Repair & Maintenance  
811310 Commercial & Industrial Machinery & Equipment (except Automotive & Electronic) Repair & Maintenance  
811410 Home & Garden Equipment & Appliance Repair & Maintenance  
811420 Reupholstery & Furniture Repair  
811430 Footwear & Leather Goods Repair  
811490 Other Personal & Household Goods Repair & Maintenance  
**Personal and Laundry Services**  
812111 Barber Shops  
812112 Beauty Salons  
812113 Nail Salons  
812190 Other Personal Care Services (including diet & weight reducing centers)  
812210 Funeral Homes & Funeral Services  
812220 Cemeteries & Crematories  
812310 Coin-Operated Laundries & Drycleaners  
812320 Drycleaning & Laundry Services (except Coin-Operated)  
812330 Linen & Uniform Supply  
812910 Pet Care (except Veterinary) Services  
812920 Photofinishing  
812930 Parking Lots & Garages  
812990 All Other Personal Services  
**Religious, Grantmaking, Civic, Professional, and Similar Organizations**  
813000 Religious, Grantmaking, Civic, Professional, & Similar Organizations

## Foundations Status of Certain Organizations

### Announcement 98-94

The following organizations have failed to establish or have been unable to maintain their status as public charities or as operating foundations. Accordingly, grantors and contributors may not, after this date, rely on previous rulings or designations in the Cumulative List of Organizations (Publication 78), or on the presumption arising from the filing of notices under section 508(b) of the Code. This listing does *not* indicate that the organizations have lost their status as organizations described in section 501(c)(3), eligible to receive deductible contributions.

*Former Public Charities.* The following organizations (which have been treated as organizations that are not private foundations described in section 509(a) of the Code) are now classified as private foundations:

Asociacion de Salud Rural, Chicago, IL  
Brookline Housing Corporation,  
Brookline, MA  
Chicago Law Foundation, The,  
Chicago, IL  
Dominican Family Institute, Inc., New  
York, NY  
Domov Corporation, The, Ganado, TX  
Film Project for Womens History and  
Future, The, Chicago, IL  
Inner Strength Ministry, Jackson, MI  
Kind Foundation Inc., Sterling, NJ  
Pacific Asia Council of Indigenous  
Peoples – Hawaii, Waianae, HI  
Pathfinders for Positive Parenting and  
Nurturing of the Black Family,  
Birmingham, AL  
Pro SE Today, Inc., Oshkosh, WI  
Runestone Museum Foundation,  
Alexandria, MN  
Tuesday Morning Inc., Brookfield, IL  
Utah Quilt Heritage Corporation, Draper,  
UT  
Victims Have Rights Too, Inc., Atlanta,  
GA

West Shore Gymnastics Parents Assoc.,  
Holland, MI

If an organization listed above submits information that warrants the renewal of its classification as a public charity or as a private operating foundation, the Internal Revenue Service will issue a ruling or determination letter with the revised classification as to foundation status. Grantors and contributors may thereafter rely upon such ruling or determination letter as provided in section 1.509(a)-7 of the Income Tax Regulations. It is not the practice of the Service to announce such revised classification of foundation status in the Internal Revenue Bulletin.

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# Announcement of the Disbarment and Suspension of Attorneys, Certified Public Accountants, Enrolled Agents, and Enrolled Actuaries From Practice Before the Internal Revenue Service

Under 330, Title 31 of the United States Code, the Secretary of the Treasury, after due notice and opportunity for hearing, is authorized to suspend or disbar from practice before the Internal Revenue Service any person who has violated the rules and regulations governing the recognition of attorneys, certified public accountants, enrolled agents, or enrolled actuaries to practice before the Internal Revenue Service.

Attorneys, certified public accountants, enrolled agents, and enrolled actuaries are prohibited in any Internal Revenue Service matter from directly or indirectly employ-

ing, accepting assistance from, being employed by, or sharing fees with, any practitioner disbarred or suspended from practice before the Internal Revenue Service.

To enable attorneys, certified public accountants, enrolled agents, and enrolled actuaries to identify such disbarred or suspended practitioners, the Director of Practice will announce in the Internal Revenue Bulletin the names and addresses of practitioners who have been suspended from such practice, their designation as attorney, certified public accountant, enrolled agent, or enrolled actuary, and date or period of suspension. This

announcement will appear in the weekly Bulletin at the earliest practicable date after such action and will continue to appear in the weekly Bulletins for five successive weeks or for as many weeks as is practicable for each attorney, certified public accountant, enrolled agent, or enrolled actuary so suspended or disbarred and will be consolidated and published in the Cumulative Bulletin.

After due notice and opportunity for hearing before an administrative law judge, the following individuals have been disbarred from further practice before the Internal Revenue Service:

Name	Address	Designation	Effective Date
Galt, Edward G.	Monterey, CA	CPA	October 25, 1997
Lopez, Andrew L.	Albuquerque, NM	CPA	December 11, 1997
Branch, Jimmie L.	Jacksonville, FL	CPA	January 15, 1998
Harrison, Rebecca A.	Carmichael, CA	Enrolled Agent	March 4, 1998
Mayer, Robert J.	Wexford, PA	CPA	June 4, 1998

# Announcement of the Expedited Suspension of Attorneys, Certified Public Accountants, Enrolled Agents, and Enrolled Actuaries From Practice Before the Internal Revenue Service

Under title 31 of the Code of Federal Regulations, section 10.76, the Director of Practice is authorized to immediately suspend from practice before the Internal Revenue Service any practitioner who, within five years from the date the expedited proceeding is instituted, (1) has had a license to practice as an attorney, certified public accountant, or actuary suspended or revoked for cause; or (2) has been convicted of any crime under title 26 of the United States Code or, of a felony under title 18 of the United States Code involving dishonesty or breach of trust.

Attorneys, certified public accountants, enrolled agents, and enrolled actuaries are

prohibited in any Internal Revenue Service matter from directly or indirectly employing, accepting assistance from, being employed by, or sharing fees with, any practitioner disbarred or suspended from practice before the Internal Revenue Service.

To enable attorneys, certified public accountants, enrolled agents, and enrolled actuaries to identify practitioners under expedited suspension from practice before the Internal Revenue Service, the Director of Practice will announce in the Internal Revenue Bulletin the names and addresses of practitioners who have been suspended from such practice, their designation as attorney, certified public accountant, en-

rolled agent, or enrolled actuary, and date or period of suspension. This announcement will appear in the weekly Bulletin at the earliest practicable date after such action and will continue to appear in the weekly Bulletins for five successive weeks or for as many weeks as is practicable for each attorney, certified public accountant, enrolled agent, or enrolled actuary so suspended and will be consolidated and published in the Cumulative Bulletin.

The following individuals have been placed under suspension from practice before the Internal Revenue Service by virtue of the expedited proceeding provisions of the applicable regulations:

Name	Address	Designation	Date of Suspension
Clark, Sheila	Houston, TX	CPA	Indefinite from April 21, 1998
Kimes, Larry W.	Austin, TX	Attorney	Indefinite from May 5, 1998
Braiteman, Sheldon	Baltimore, MD	Attorney	Indefinite from June 5, 1998
Pollack, Michael	Guttenberg, NJ	Attorney	Indefinite from June 11, 1998
Eichenbaum, Irving	Huntingdon Valley, PA	CPA	Indefinite from August 4, 1998
Corley, Francis R.	Irmo, SC	CPA	Indefinite from August 4, 1998
Scott, Richard	Lincoln, NE	Attorney	Indefinite from August 4, 1998
Wilson, Douglas D.	Roanoke, VA	Attorney	Indefinite from August 4, 1998
Watkins, Brian R.	Lincoln, NE	Attorney	Indefinite
Congdon Jr., Byron E.	San Bernadino, CA	Attorney	Indefinite from August 4, 1998
Abrams, Robert	Elmsford, NY	CPA	Indefinite from August 4, 1998
Robinson, Doane	Rapid City, SD	CPA	Indefinite from August 4, 1998
Szarwark, Ernest	Nashville, TN	Attorney	Indefinite from August 4, 1998
Roberts, Mark	Norman, OK	CPA	Indefinite from August 4, 1998
Wood, Randall K.	Springfield, MO	Attorney	Indefinite from August 5, 1998
Chappell, Ronald L.	Antelope, CA	CPA	Indefinite from August 12, 1998

# Announcement of the Consent Voluntary Suspension of Attorneys, Certified Public Accountants, Enrolled Agents, and Enrolled Actuaries From Practice Before the Internal Revenue Service

Under 31 Code of Federal Regulations, Part 10, an attorney, certified public accountant, enrolled agent, or enrolled actuary, in order to avoid the institution or conclusion of a proceeding for his disbarment or suspension from practice before the Internal Revenue Service, may offer his consent to suspension from such practice. The Director of Practice, in his discretion, may suspend an attorney, certified public accountant, enrolled agent, or enrolled actuary in accordance with the consent offered.

Attorneys, certified public accountants, enrolled agents, and enrolled actuaries are prohibited in any Internal Revenue Ser-

vice matter from directly or indirectly employing, accepting assistance from, being employed by, or sharing fees with any practitioner disbarred or suspended from practice before the Internal Revenue Service.

To enable attorneys, certified public accountants, enrolled agents, and enrolled actuaries to identify practitioners under consent suspension from practice before the Internal Revenue Service, the Director of Practice will announce in the Internal Revenue Bulletin the names and addresses of practitioners who have been suspended from such practice, their designation as attorney, certified public ac-

countant, enrolled agent, or enrolled actuary, and date or period of suspension. This announcement will appear in the weekly Bulletin at the earliest practicable date after such action and will continue to appear in the weekly Bulletins for five successive weeks or for as many weeks as is practicable for each attorney, certified public accountant, enrolled agent, or enrolled actuary so suspended and will be consolidated and published in the Cumulative Bulletin.

The following individuals have been placed under consent suspension from practice before the Internal Revenue Service:

Name	Address	Designation	Date of Suspension
Makula, John G.	Park Ridge, IL	CPA	April 1, 1998 to March 31, 2003
Slomski, Michael	Gross Pointe Woods, MI	CPA	April 1, 1998 to March 31, 2001
Bozeman Jr., T. Alvin	Sylvester, GA	CPA	May 22, 1998 to November 21, 1999
Parness, Richard A.	Westfield, NJ	CPA	June 1, 1998 to December 31, 1998
Register, Billy	Havana, FL	CPA	Indefinite from July 10, 1998
Cooper, Michael E.	Edina, MN	CPA	August 19, 1998 to February 18, 1999
Minello, Michael J.	Clarks Summit, PA	CPA	August 28, 1998 to April 27, 2001
Holden, William W.	Fairfield, CT	CPA	September 1, 1998 to March 31, 1999
Freeman, Samuel	Bedford, NH	CPA	September 1, 1998 to August 31, 1999
Anders, Kevin	Williamport, MD	CPA	September 1, 1998 to August 31, 2001
Breed, Robert M.	Concord, MA	CPA	September 1, 1998 to February 28, 2001
Sandirk, Paula Brooks	Chehalis, WA	CPA	November 1, 1998 to April 30, 2000
Neuhaus Jr., George	Brewster, NY	CPA	November 1, 1998 to April 30, 2000

## Definition of Terms

*Revenue rulings and revenue procedures (hereinafter referred to as "rulings") that have an effect on previous rulings use the following defined terms to describe the effect:*

*Amplified* describes a situation where no change is being made in a prior published position, but the prior position is being extended to apply to a variation of the fact situation set forth therein. Thus, if an earlier ruling held that a principle applied to A, and the new ruling holds that the same principle also applies to B, the earlier ruling is amplified. (Compare with *modified*, below).

*Clarified* is used in those instances where the language in a prior ruling is being made clear because the language has caused, or may cause, some confusion. It is not used where a position in a prior ruling is being changed.

*Distinguished* describes a situation where a ruling mentions a previously published ruling and points out an essential difference between them.

*Modified* is used where the substance of a previously published position is being changed. Thus, if a prior ruling held that a principle applied to A but not to B, and the new ruling holds that it ap-

plies to both A and B, the prior ruling is modified because it corrects a published position. (Compare with *amplified* and *clarified*, above).

*Obsoleted* describes a previously published ruling that is not considered determinative with respect to future transactions. This term is most commonly used in a ruling that lists previously published rulings that are obsoleted because of changes in law or regulations. A ruling may also be obsoleted because the substance has been included in regulations subsequently adopted.

*Revoked* describes situations where the position in the previously published ruling is not correct and the correct position is being stated in the new ruling.

*Superseded* describes a situation where the new ruling does nothing more than restate the substance and situation of a previously published ruling (or rulings). Thus, the term is used to republish under the 1986 Code and regulations the same position published under the 1939 Code and regulations. The term is also used when it is desired to republish in a single ruling a series of situations, names, etc., that were previously published over a period of time in separate rulings. If the

new ruling does more than restate the substance of a prior ruling, a combination of terms is used. For example, *modified* and *superseded* describes a situation where the substance of a previously published ruling is being changed in part and is continued without change in part and it is desired to restate the valid portion of the previously published ruling in a new ruling that is self contained. In this case the previously published ruling is first modified and then, as modified, is superseded.

*Supplemented* is used in situations in which a list, such as a list of the names of countries, is published in a ruling and that list is expanded by adding further names in subsequent rulings. After the original ruling has been supplemented several times, a new ruling may be published that includes the list in the original ruling and the additions, and supersedes all prior rulings in the series.

*Suspended* is used in rare situations to show that the previous published rulings will not be applied pending some future action such as the issuance of new or amended regulations, the outcome of cases in litigation, or the outcome of a Service study.

## Abbreviations

*The following abbreviations in current use and formerly used will appear in material published in the Bulletin.*

A—Individual.  
Acq.—Acquiescence.  
B—Individual.  
BE—Beneficiary.  
BK—Bank.  
B.T.A.—Board of Tax Appeals.  
C.—Individual.  
C.B.—Cumulative Bulletin.  
CFR—Code of Federal Regulations.  
CI—City.  
COOP—Cooperative.  
Ct.D.—Court Decision.  
CY—County.  
D—Decedent.  
DC—Dummy Corporation.  
DE—Donee.  
Del. Order—Delegation Order.  
DISC—Domestic International Sales Corporation.  
DR—Donor.  
E—Estate.  
EE—Employee.

E.O.—Executive Order.  
ER—Employer.  
ERISA—Employee Retirement Income Security Act.  
EX—Executor.  
F—Fiduciary.  
FC—Foreign Country.  
FICA—Federal Insurance Contribution Act.  
FISC—Foreign International Sales Company.  
FPH—Foreign Personal Holding Company.  
F.R.—Federal Register.  
FUTA—Federal Unemployment Tax Act.  
FX—Foreign Corporation.  
G.C.M.—Chief Counsel's Memorandum.  
GE—Grantee.  
GP—General Partner.  
GR—Grantor.  
IC—Insurance Company.  
I.R.B.—Internal Revenue Bulletin.  
LE—Lessee.  
LP—Limited Partner.  
LR—Lessor.  
M—Minor.  
Nonacq.—Nonacquiescence.  
O—Organization.  
P—Parent Corporation.

PHC—Personal Holding Company.  
PO—Possession of the U.S.  
PR—Partner.  
PRS—Partnership.  
PTE—Prohibited Transaction Exemption.  
Pub. L.—Public Law.  
REIT—Real Estate Investment Trust.  
Rev. Proc.—Revenue Procedure.  
Rev. Rul.—Revenue Ruling.  
S—Subsidiary.  
S.P.R.—Statements of Procedural Rules.  
Stat.—Statutes at Large.  
T—Target Corporation.  
T.C.—Tax Court.  
T.D.—Treasury Decision.  
TFE—Transferee.  
TFR—Transferor.  
T.I.R.—Technical Information Release.  
TP—Taxpayer.  
TR—Trust.  
TT—Trustee.  
U.S.C.—United States Code.  
X—Corporation.  
Y—Corporation.  
Z—Corporation.

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<sup>1</sup> A cumulative list of all revenue rulings, revenue procedures, Treasury decisions, etc., published in Internal Revenue Bulletins 1998–1 through 1998–28 will be found in Internal Revenue Bulletin 1998–29, dated July 20, 1998.

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